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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2253

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CLOSER GDR-USSR ECONOMIC PLANNING COOPERATION SOUGHT

East Berlin PRESSE-INFORMATIONEN in German No 21, 19 Feb 82 p2

[Interview with Prof Dr Karl Gruenheid, state secretary, State Planning Commission (date and place not indicated): "Even Closer Cooperation Between GDR and USSR"]

[Text] [Question] What steps were taken during the past year in order to intensify economic relations between the GDR and the USSR still further ?

[Answer] There is every reason to say that 1981 was characterized by a variety of new steps and extensive projects aimed at further intensifying economic relations between our two countries. Ministries, combines, factories and research institutions worked hard on the measures and projects aimed toward the realization of the specialization and cooperation program. Evidence of this for example is the fact that 24 agreements were reached on a wide variety of new questions dealing with specialization and cooperation, with scientific-technical cooperation and cooperation on the intensification and rationalization of plants in both countries.

At their meeting in the Crimea in August 1981, Erich Honecker and Leonid Ilyich Brezhnev concluded agreements on the main questions of developing economic relations between our countries. These agreements focus even more on those tasks which serve a more efficient utilization of the economic and scientific-technical potential of the two countries--such as expanded use of microelectronics; cooperation in the construction and utilization of industrial robots, and further modernization and greater efficiency of the consumer goods industry.

[Question] In what ways are these agreements reflected in the work of the GDR-USSR intergovernmental parity commission for economic and scientific-technical cooperation ?

[Answer] The agreements reached at the 29th meeting of the parity commission give a clear indication of the new style of cooperation. For instance: In order to make a contribution toward realizing the goals set by the 10th party congress of the SED and the 26th party congress of CPSU on introducing industrial robots, an intergovernmental agreement was concluded at the 29th meeting laying down the guidelines for cooperation on the development and production of industrial robots and manipulators. Concrete programs were worked out on the devlopment and production of industrial robots in 14 different fields including welding, coloring, machine tools as well as for the electric industry, the glass industry and the automobile industry.

Another agreement dealt with cooperation on a number of microelectronic products. Now that we have made good on the intergovernmental agreement on these products which was concluded in 1977—particularly in the development and introduction of integrated circuits, we now have an agreement on reciprocal deliveries of special technological equipment and components. This provides good opportunities and bases for working out solutions in automation, computer and communications technology as well as robotics which will help effect substantial savings in labor, material and energy.

Another example of the new style is that we are now using the commission more to deal with such things as energy and material conservation as well as with intensification of production as reflected in the cooperation agreement between the cement factories in Bernburg and Lipetsk.

[Question] What is the cooperation like in the consumer goods production sector ?

[Answer] Here again intensification is the main focus. There is, for example, the agreement on intensifying hosiery production between the VEB hosiery combine Esda Thalheim and the Aurora combine in Riga as well as the "50th anniversary of the foundation of the USSR" combine in Brest. Joint groups of foremen, engineers, technicians and top workers have been charged with looking into the production and auxiliary processes. Through the use of modern technology, efficient working methods, a higher level of mechanization and the efficient use of basic and auxiliary materials the goal for 1985 in ladies' panty hose production for example is to lower production time to 83 percent, to raise labor productivity to 117 percent while increasing the quality factor to 87 percent and raw material utilization to more than 90 percent.

Intensification of furniture production is being worked on as part of direct cooperation in production as between a number of combines in the GDR and the USSR. The furniture combines of Zeulenroda, Berlin and Dresden-Hellerau as well as combines located in Leningrad, Salsk and Voronezh are jointly working out and introducing production technologies to turn out upholstered furniture, kitchen furniture and chairs. The goal of these cooperative undertakings is to achieve a substantial increase in production, to increase labor productivity and to lower prime costs at the conclusion of the measures jointly introduced to achieve intensification and reconstruction.

[Question] There will be new and important achievements in 1982, we take it...

[Answer] The decisions of our party, particularly the economic strategy for the eighties require it. In our determined effort to carry out the specialization and cooperation program, the upcoming commission meetings are sure to open up still more areas for cooperation.

The agreement in the views and aims of our parties and peoples; the identity of the basic economic goals and tasks of both the GDR and the USSR as well as our firm embedment in the socialist community of nations offer a stable foundation and a solid guarantee for it.

Let me add one thing: The worsening of the international situation caused above all by the U.S. administration; the arms buildup which is directed against maintaining a durable peace; the threat of political and economic sanctions—all this makes it imperative that we intensify our cooperation with the USSR in science, technology and economic matters even further; that we utilize the opportunities for socialist economic integration even more fully in order thereby to increase the economic strength of the socialist countries still further.

2300/190

OFFICIAL COMMENTS ON ECONOMIC SANCTIONS REPORTED

Warsaw ZYCIE WARSZAWY in Polish 18 Feb 82 p 6

[Interview with Deputy Chairman of the Planning Commission Stanislaw Dlugosz by Henryk Borucinski of PAP; "Economic Sanctions Are a Boomerang"; date and place not given]

[Text] [Question] Foreign countries are noting Poland's return to the coal markets, a development which Western banking circles have been impatiently waiting for, since they justly considered it a sign of our economy's recovery. And it is at this moment that economic sanctions against Poland have appeared.

[Question] Mr. Minister, how are they to be explained?

[Answer] One key, but not the only one, to understanding U.S. foreign policy can be found in "The Real War," a book by former president of the United States, Richard Nixon. One can find there such statements as, for example, "World War III began before World War II ended," or "The Third world war is the first truly global and the first truly total war." After reading this book, which discusses the foundations of American foreign policy, one can more easily understand why the particular circles determining U.S. policy instigated the events of Poland.

From the point of view of what was possible with our economy and population, we were suited best of all for implementing the goals set by the above mentioned circles of American politicians, namely: to weaken the whole socialist camp, regain their role as political and economic leader in the Western world, weaken the significance of leftist parties in Western countries, and weaken the influence of socialist countries on the so-called Third World.

The imposition of martial law in Poland proved that in the United States and in some other countries in the West the earlier, rather impatient hopes for an end to the chaos in our country were only a pretense. In point of fact, after 13 December Poland ceased being a stage for the implementation of American foreign policy goals, and that explains the abruptness of the sanctions adopted against Poland and the USSR, sanctions supported by the recently televised, American-style spectacle.

[Question] Are the sanctions a "punishment" or a further attempt to influence the course of events in Poland?

[Answer] They are most certainly the latter. One can clearly see that the United States is counting on the complete collapse of our economy and the consequent manifestation of social dissatisfaction, and on a chain reaction as well, since the economic situation in Poland has a certain influence on the economies of the other socialist countries. It is symptomatic that the American sanctions concern primarily the food complex, and that says a great deal about humanitarianism....

[Question] What effects are the sanctions of some of the Western countries having on our situation?

[Answer] These restrictions are causing painful, short-term effects, as well as some which can result in more lasting changes in our own, and in the European, economy. Among the major effects one must include Poland's difficulties in purchasing food. As a result of the American decisions we have lost this year about 170,000 tons of fish previously caught in American waters; we must liquidate a significant part of chicken-farming, which as is known is supported from the technological point of view on American corn; and, moreover, we have lost the possibility for buying other food, including grain, on credit. Thus these are very painful moves for us, reflecting negatively on the standard of living of the people in our country. Closing the lines of credit will make it impossible for us to buy raw and other materials for production. Thus the market supply will worsen and our export possibilities will decrease. This sphere of the economic consequences of the restrictions can also, in effect, complicate the social situation, which is precisely what they are counting on overseas and in some NATO states. That is why I consider it extremely important to inform society who initiated the restrictions and what their true goal is.

[Question] There is a danger here that we will forget the fundamental reason for our difficulties, which was our own economic decisions in the past. Political circles in the West that are unfriendly to us are simply taking advantage of a situation which we brought on ourselves.

[Answer] The question cannot be posed in that manner, nor can such an evaluation be given. After all, aside from the obvious errors in economic policy in the 1970s, the essential element unsettling our economy in the years 1980-81 was undoubtedly actions of a different sort, actions of extremist forces instigated from outside. Conclusions drawn from the past call for the consistent introduction of a sound economic reform which strengthens the socialist system. That is one matter. But as far as the effects of the restrictions are concerned, I want to emphasize that over the long run they are never effective, although they can temporarily cause us many problems and difficulties. The financial blockade of Poland will complicate our repaying our loans and interest, but that is a risk which the Western circles have taken on themselves. Attempts to impede technology transfer--one of the major driving forces in the development of economic cooperation with the West--can also be acknowledged as an attempt to force us again in the position of exporting unprocessed raw materials and fuels. In the meantime we will be linked with the socialist countries to a significantly greater degree than before, and we will gradually decrease our dependence on economic cooperation with the West.

[Question] Our "today" is very difficult, and probably our tomorrow also. In addition to all this, enormous debts are weighing us down. What long-range solutions do you see?

[Answer] Poland is a member of the socialist community. Those countries, especially the Soviet Union, are giving us aid. Recently both the Executive Committee of CEMA and the planning committee for that organization unequivocably declared themselves in favor of adopting resolutions which have as their goal to increase economic cooperation with Poland. We already have certain matters behind us.

[Question] Please give us a few specific examples.

[Answer] We are in the advanced stages of discussions with Hungary about cooperation in producing buses and trucks; discussions are in process with several countries of CEMA about joint production of picture tubes for color televisions sets; with Bulgaria, about production of machine tools; with the GDR, about power-drive units for sewing machines; and with the Soviet Union, about caterpillar tractors with 450-500 horse power. But these are ancillary elements. Leading the nation out of the present crisis depends above all on our work, on our skill, and on the speed with which our industry is structurally rebuilt. As to the rest, our socialist partners are markedly speeding up deliveries of market commodities and raw and other materials, and they have agreed to extend us credit this year.

[Question] What other optimistic factors can we count on?

[Answer] As far as the internal situation is concerned, then in spite of everything the good outcomes in coal mining and in the sugar campaign and the dynamic development of imports with the socialist countries in the first half of this year permit a cautious optimism. The external situation is also changing somewhat. In spite of the protests of the United States, France has signed a huge contract for deliveries of Soviet gas. We are also seeing a differentiation in approach to our problems among the western financial circles. That indicates that in the West the process of returning to realism and to seeking sensible principles of coexistence may soon begin, since Western Europe cannot, even when so commanded by the United States, turn its back on the USSR and the other socialist countries.

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EXPANSION OF INDUSTRIALIZATION SCHEDULED DURING NEW FIVE-YEAR PLAN

Tirana RRUGA E PARTISE in Albanian Oct 81 pp 15-24

[Article by Nezhdet Hoxha and Fiqiri Islami: "The Further Expansion of the Characteristics of the Socialist Industrialization of the Country in the Seventh Five-Year Plan"; passages between slantlines printed in boldface]

[Text] From the point of view of the level of development of production forces, from a backward agricultural country that still had not entered the phase of the capitalization of industrial development, within a short period, Albania was changed into an agricultural-industrial country and, since the 1960's, has embarked upon the road of transformation into an industrial-agricultural country. An important step in this direction was made in the Sixth Five-Year Plan. As a result of the consistent execution of the economic policy of the party for the expansion of the socialist industrialization of the country, the role of industry, as the leading branch of the economy was further increased during the past five-year plan. The overall industrial product increased by an average annual rate of 6.1 percent. New industrial branches were set up, such as the ferrous metallurgy branch, the deep petroleum processing branch and the ferrochromium branch; the material and technical base of existing industrial, extraction and processing branches and so forth was also further expanded.

The industrial branches which produce means of production were developed on a priority basis in the Sixth Five-Year Plan, too. In 1980 the specific share of the A group in the overall industrial product was 64 percent compared to 56.8 percent in 1975. The energy resources industry was further invigorated. It satisfies all the increasing needs of the country and has become one of the important sources for increasing exports. Important successes were achieved in the discovery of new petroleum and gas-rich areas which increased industrial reserves. Coal extraction in 1980 increased 63 percent, compared to that of 1975, and production of electric energy from the hydroelectric power stations three times. The machine industry also developed at rapid rates, implementing its main task for fulfilling the 95 percent of the needs of the economy with spare parts produced in the country. Important steps were also carried out in increasing the production of machinery and equipment. The production of this branch in 1980 increased 57.7 percent in comparison with 1975. Noticeable progress was also carried out in all other branches of the heavy extraction and processing industry, such as the chrome, copper, chemical, and construction material industries, and so forth.

The consumer goods industry was developed during the Sixth Five-Year Plan. For many of the main products of light industry and the food industry, the average annual rate of their increase was between 2.2 and 6.5 times higher than the average annual rate of growth of the population.

With the Seventh Five-Year Plan, as stipulated in the draft directives of the Eighth Party Congress, another important step forward is being made on the road to the transformation of the country into an industrial-agricultural country. To achieve the main task determined in the draft directives, we must continue the development of "industry in a rapid manner so as to assure the continuation of the building of a complex, multi-branch industry, by strengthening the existing branches, setting up new branches and giving priority to the growth of the heavy extraction and processing industry, first of all, the energy resources industry, the mining and processing industries, and the machine industry, and by developing the consumer goods industry in harmony with the needs of the people and of the economy and by improving their structure and quality" ("RRUGA E PARTISE" No 7, 1981, p 11).

The harmonious development of industry with agriculture, giving priority to industry, the priority development of the means of production, compared to consumer goods and the transition on an increasingly broader scale, from a heavy industry which is mainly extractive into an extractive and processing industry and the wide and deep development of industry, utilizing the resources and natural wealth of the country in a complex manner, in accordance with the principle of relying on one's own forces, and the expansion of industry over all the territory of the country--all have been and remain the characteristic traits of the process of our socialist industrialization which, in the Seventh Five-Year Plan, as stipulated in the draft directives, will become more definitive and will give to the country an appearance similar to that of a progressive industrial-agricultural country.

The Rapid Development of Industry Relying Only on Our Own Forces

One of the main problems of our socialist industrialization has been and is to ensure the development of the various branches of industry at rapid rates. This constitutes one of the distinctive characteristics of the Seventh Five-Year Plan which was drafted and will be implemented by fully relying on our own forces and on our human, material and financial resources, without any aid and credit from outside. Thus, according to the draft directives, it is expected that in 1985, compared to 1980, the overall industrial production will increase 34-36 percent, or by an average annual increase of 6.4 percent.

These relatively high rates of increase of overall industrial production are necessary for the position which industry occupies and for its importance in the framework of the entire economy, and for the role it plays in the development of productive forces, the invigoration of the material and technical base of socialism, the expansion of the technical and scientific revolution, the fulfillment of the needs of the people and the economy and the strengthening of the defense capacity of the country. They also are fully realizable by properly utilizing the totality of objective and subjective conditions which the socialist relationships create in production and, especially, the possibilities offered by the present phase of our industrial development.

The draft directives of the Eighth Party Congress on the Seventh Five-Year Plan correctly stipulated not only the tasks, but also the ways to increase industrial production by preserving, just as in the past, the development of the various industrial branches simultaneously in depth and width, giving priority to the expansion of the character of its intensive development in the main directions. Thus, for example, it is expected that 58 percent of the growth of industrial production will be ensured by a more complete utilization of the existing production capacities, 28 percent, by their expansion and reconstruction and 14 percent, by the new projects to be constructed and put into operation during the years 1981-1985. In the meantime, it is calculated and expected that about one half of the increase of industrial production will be supplied by an increase in the social productivity of labor, while 80 percent of the increase of net revenues of the enterprise will be provided by the reduction of costs and so forth.

Therefore, from any angle that you can see the objectives of the Seventh Five-Year Plan for the development of industry, great tasks appear for the intensification of this leading branch of the economy. And, these tasks, Comrade Enver Hoxha stressed at the Tenth Plenum of the Party Central Committee, are not general and non-assigned. They are concretized in utilization of the existing technical base with the most complete and most effective capacity, in economizing on manpower and concrete labor, reviewing work norms and norms for the use of materials, in the tasks for the further mechanization of production processes and for the execution of advanced technological processes, in the improvements which must be reached in the organization of work and production, and in the implementation of the achievements of science and technology on a broad scale. Therefore, the fulfillment of the targets determined in this new plan requires a review with a critical eye of all its basic links. It is the task of the basic party organizations and of their levers to better organize their work so that the confrontation of the working collectives with these important problems, a confrontation which took place during the public discussion of the draft directives, will be continued in a systematic manner during the work and struggle for implementing the tasks assigned. The circumstances under which we are fulfilling the new five-year plan demand that we raise the struggle for the mobilization of the internal inexhaustible reserves of production to a higher level, among other things, placing the creative innovative thought and action, in a better manner than before, in the service of fulfilling the plan tasks. And, this creative thought and action is broader and more powerful today; it constitutes, as Comrade Enver Hoxha described it, a new characteristic of our time, a characteristic which must be supported and further encouraged by the party organs and organizations, the government and economic organs and the mass organizations.

The ensuring of the largest part of the increase of industrial production in this five-year plan, through a more complete and more effective utilization of existing production capacities, requires concrete knowledge, correct evaluation and concrete work organization in regard to the utilization of the great internal reserves that exist in this field. Here, the further perfection of the method and forms of organization and of management of work and production in the various industrial branches, from the center down to the grassroots, will be a powerful influence.

Of course, as has also been indicated in the draft directives, a considerable part of the increase of industrial production in the Seventh Five-Year Plan will be assured by the expansion and reconstruction of existing production capacities and by the new projects to be constructed, for the fulfillment of which 45.6 percent of the total investments, to be invested in this five-year plan, will be used.

To assure the greatest possible effectiveness of these investments, it is stipulated that they will be aimed, first of all, at the most necessary projects so that the rapid increase of industrial production will be assured with smaller expenditures and within the shortest period possible. Therefore, a great part of expenditures will be used for the extension and reconstruction of existing capacities.

Among the important projects to be extended, reconstructed, constructed and put into operation during the Seventh Five-Year Plan are: the extension and reconstruction of the plant for the deep processing of petroleum in Ballsh; the putting into operation of new coal mines in Priske, Podgozhan and Homezh; the putting into operation, at full capacity, of the "Light of the Party" hydroelectric power station in Fierze; the intensification of work at the Koman hydroelectric power station, so that the construction of one turbine will be terminated and put into operation during 1985. Along with the best possible exploitation of existing plants for the enrichment of minerals, it is stipulated that six new plants for the enrichment of chrome, copper and coal will be put into operation within the five-year plan. At the "Steel of the Party" metallurgical combine the following will be put into operation: the second battery of coke, the plant for refractory materials, the plant for the production of metal nickel and of cobalt, the unit for carbon products and so forth. The production capacity of the superphosphate plant in Lac and of the soda plant in Vlore, and of other plants, will be doubled.

The investments to be made for the construction of new projects, although they do not play a very large role in increasing industrial production in this five-year plan, have a particular importance, especially, in regard to the improvement of the structure of production, the extension of assortments, the improvement of relationship between A and B groups, and between the processing and extraction industries and so forth.

The Leading Role of Industry Will Be Further Increased and the Structure of Industrial Production Will Be Improved

In the Seventh Five-Year Plan the leading role of industry will be further increased in the framework of the national economy. This will be embodied in the increase and further invigoration of the state socialist property, in the expansion and qualitative improvement of the working class, in the increase of the means of production produced by industry which play a particular role in the development of all economic branches, in the increase of the specific proportion of industrial production in the framework of general social production and in the increase of the specific proportion of general revenues produced in industry and so forth.

In accordance with the Marxist-Leninist concept of the party--that industry constitutes the leading branch and agriculture the basic branch of the economy--the dimensions and rates of their development have also been determined, giving priority to industrial development. And, so far, the most rapid increase of industrial production has led to the change in the dimensions of overall social production, and of national revenues produced in industry and agriculture; these changes, because of their nature, have given and are gradually, and more and more, giving to the country the characteristics of an industrial-agricultural country. The Seventh Five-Year Plan will achieve results in this direction, too. In 1985 industry is expected to provide 67.7 percent of the overall social product and 57.3 percent of national revenues; while agriculture will provide 32.3 percent and 42.7 percent, respectively.

In the policy of the socialist industrialization of the country, the party has been guided and is guided by the Marxist-Leninist principle that the production of the means of production must be developed on a priority basis in comparison with the production of consumer goods. This priority, Comrade Enver Hoxha teaches us, has been and is a correct and unshakeable principle for the development of industry and of our entire economy, because the priority increase in the production of the means of production is a necessary law and condition for the implementation of expanded socialist reproduction, the invigoration of the material and technical base of socialism, the successful development of the technical and scientific revolution and the increase of labor productivity, leading to harmonious development in accordance with the needs of the branches which produce consumer goods. The pursuit of such a policy in the process of socialist industrialization has made it possible for the structure of industrial production to undergo important changes so that the specific share of the production of the means of production (Group A) has been continually increasing, and now it dominates in an absolute manner. In the continuation of this policy, in the Seventh Five-Year Plan, as stipulated in the draft directives of the Eighth Congress of the Albanian Workers Party, the production of the means of production--(Group A)--is expected to increase 38-39 percent, with an average annual increase of 6.8 percent, while, the production of consumer goods--(Group B)--is expected to increase 29-31 percent, with an average annual increase of 5.6 percent.

Important changes have been made and continue to be made in the structure of Group A, in the specific shares of the products produced in the branches which constituted this group and in the position they hold and the role they play in the framework of industry and the economy in general. Thus, since the mining industry is the main base and support point for the development of the other industrial branches, and since our country is rich in mineral ores, the mineral industry will hold the main position for a long time in regard to the rates of development of the branches of heavy industry and the role of the mining industry in the development of industry in general. In the meantime, the energy industry was considered and is considered as the decisive link for the development of industry and has been developed in accordance with the needs of the entire economy, of the extractive and processing industries, the machine industry, the chemical industry, agriculture and so forth, branches which have developed and are developing in harmony, like links of a single chain. And, it is precisely in this general framework of harmony, ties and reciprocal dependence, in accordance with the development of producing forces and with the expansion of the process of socialist industrialization, that changes and improvements have taken place and continue to take place in the entire structure of industrial branches in general, especially, in those branches which produce means of production.

The creation of new branches and the expansion of the processing industry, the chemical industry and the machine industry, and the enrichment of copper, chrome, coal and so forth, have improved and are further improving the structure of industry and are continually improving the level of independence of our people's economy. The supplying in the country of the most necessary products for expanded socialist reproduction is continually strengthening the country's economic independence, is making our people's economy healthier and more capable of successfully confronting all the consequences stemming from the continual political and economic pressure exerted against our country by the encirclement and economic crises of the capitalist, bourgeois and revisionist system.

The correct policy which the party has pursued and is pursuing in the field of improvement of the structure of industrial production becomes even clearer if we take into consideration the changes that have taken place in the specific shares of the industrial product produced in some of the main branches of the heavy industry. Thus, while, the specific percentage of the product produced in the branches of the industry for the extraction of useful mineral ores, in the general industrial product, decreased, those of the energy, machine chemical industries and so forth, increased. The machine industry, for example, from 3.1 percent of the general industrial product which it produced in 1960, managed to produce 14.1 percent in 1980, thus, taking the first place. And, we must say that this fact, which expresses the increased role of this branch in the framework of industry, and its entry on the road to the construction of machines, pieces of equipment and complete plants constitutes a very important qualitative improvement in the process of our socialist industrialization. In the Seventh Five-Year Plan this characteristic will be further intensified. In 1985 we will produce 49-51 percent more machines and pieces of equipment than in 1980; these products will serve to implement the expansion and reconstruction of existing production capacities, to set up new projects with our own forces and further improve the level of the technical equipping of labor in general.

In stipulating the place and rates of development for every branch, the party has started and starts, each time, with the role they play in the development of industry and the economy in general and the needs and possibilities that exist, the relationships that have been created between the various branches, the necessity of harmonizing their development in the future and so forth. Thus, the priority development of the energy resources industry is also expected in the Seventh Five-Year Plan. Compared to 1980, in 1985 the production of the energy industry will increase 37.9 percent; petroleum extraction, 56-58 percent; coal extraction, 48 percent; and the production of electric energy, 15 percent. The achievements of these objectives will make it possible not only to satisfy the increasing needs of the economy, but also to substantially increase their exports. In 1985 the energy industry is expected to supply about 40 percent of the overall exports of the country.

The more rapid increase in petroleum production, in comparison with coal production is explained by the possibilities created as a result of the policy pursued by the party for the discovery of petroleum-rich areas and their best utilization in this five-year plan. While, in the field of their consumption, in the Seventh Five-Year Plan the use of coal is expected to be further expanded in order to replace the use of liquid fuel to the maximum. The increased specific share of coal in the energy resources of the country, which is aimed for, is explained not only by the great possibilities we have for increasing the production and utilization of coal now and in the future, but also by the possibilities and great profit which we get from the increase of petroleum exports in the present situations created by the energy crisis in the capitalist, bourgeois and revisionist world.

On the road to socialist industrialization, the party has devoted and is devoting a great importance to the development of the extractive and processing industry, gradually passing from a heavy industry which is mainly extractive into an extractive and processing heavy industry. Because of the close relationships existing between the extractive industry and the processing industry, these two branches have developed together both from the quantitative aspect and qualitative aspect and, in accordance with the concrete conditions, and definite ratios have been established between them. In the meantime, the struggle has been waged on a priority basis so to create possibilities for processing all the products of the extractive industry in increasingly larger proportions, so that, in the future, all mineral raw materials will be processed in the country.

The draft directives of the Eighth Party Congress for the Seventh Five-Year Plan foresee both an increase in the extraction of useful mineral ores and the improvement of the level of their processing.

In 1985, compared to 1980, the extraction of chrome ores is expected to increase about 29 percent, the extraction of copper ores,about 52 percent and the extraction of ferronickel, about 2.5 percent. Also, the extraction of phosphorous, quartz, mineral salt, marble blocks, dolomites, olivenites. manganese, bauxites, nickel silicate and of other mineral ores will be increased. The increase in the production of mineral ores will be carried out by relying on the known mineral reserves and by intensifying their extraction, first of all, from the mines under exploitation and from their expansion. Along with the exploitation of rich mineral ores, in the Seventh Five-Year Plan the extraction of poor mineral ores will also be increased and their enrichment will be further expanded.

Closely linked with the development of the mining industry, ferrous metallurgy and non-ferrous metallurgy will also be further developed in the Seventh Five-Year Plan. In 1985, compared to 1980, the production of sheet-iron is expected to increase about 67 percent, the production of carbonic ferrochromium,about 80 percent and the production of blister copper, about 28 percent. With the expansions and reconstruction to be carried out at the petroleum deep processing plant in Ballsh and in other plants, it will be possible to process all the petroleum in the country. As a result of a better utilization of the production capacities of existing enrichment plants, of their extension and of the construction and the putting into operation of new enrichment plants within the Seventh Five-Year Plan, it will be possible to enrich about 50 percent of all chrome ores, about 78 percent of copper mineral ores, about 40 percent of coal and about 43 percent of ferrous nickel mineral ores. In this way, the structure of heavy industry will be further improved in favor of those branches and of those industrial products which produce ready-made products with great value, a better utilization of the resources and wealth of the country will be carried out and profits from their export will be increased, the economic power of the country will be improved and its defense capability strengthened.

The chemical industry, the construction materials industry and other industries are expected to undergo great development in the Seventh Five-Year Plan. The main goal of the development of the chemical industry will be the better satisfaction of the needs of agriculture with chemical fertilizers and pesticides, and the increase of the production of calcified soda, sodium hydroxide, sulphurous acid, detergents and so forth.

The better and better satisfaction of the needs and requirements of the working masses has been and remains the highest aim of the party, finding its expression in the measures stipulated in the Seventh Five-Year Plan for the development of light industry and the food industry. In 1985, compared to 1980, the production of light industry is expected to increase 37-39 percent and that of the food industry, 20-22 percent. Noticeable improvements will also be carried out in the quality, structure and assortment of products of light industry and the food industry.

The rates and dimensions stipulated for the development of heavy industry and light industry and the food industry in general, and those for the development of every branch of heavy industry and light industry and the food industry, are linked and conditioned so that they allow the harmonicus development of all branches and sub-branches of industry, as well as the harmonious development of industry with the other branches of the economy, for the invigoration of the material and technical base of socialism, and for the increase of production and improvement of labor productivity, the continual improvement of the well-being of the working masses, and the building of socialism completely with our own forces.

The broad public discussions on the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan, carried out in every work and production center, discovered new reserves which improve the indicators and further elevate the level of assurance that the tasks set for the rapid development of industry will be fulfilled and overfulfilled.

The setting and achievement of the magnificent objectives of this five-year plan are not simply the desire of the people and the party; however, the objective and subjective conditions exist for solving tasks greater than those. And, the possibilities have gradually been created as the result of the economic policy which the party has pursued and is pursuing. The creation and development of a complex national industry, relying on domestic wealth and resources and capable of guaranteeing the independence and continual development of the country on the road to socialism, is one of our greatest achievements in the development of our production forces. The methods utilized, the rapid rates, the resources used for financing and the social results achieved show the correct and farsighted policy which has been pursued and is being pursued by our party in the field of the socialist industrialization of the country. The industrial development is carried out and being carried out in those directions which guarantee not only a powerful material and technical base, but also a suitable structure that supports the development of a multibranch industry, giving priority to those branches which make our economy independent, dynamic and self-reliant, capable of satisfying the basic needs of socialist reproduction in any circumstance and capable of supporting the entire economic and social development of the country with our own forces.

Today we produce, with our own forces, not only 95 percent of our spare parts, but also machines, pieces of equipment and complete plants; we satisfy, one hundred percent, the need for raw materials, fuel and electric energy; and we export considerable quantities of petroleum and petroleum by-products, electric and coal energy at a time when the capitalist, bourgeois and revisionist world is plunged into a deep energy crisis. Currently, we also provide, with our products, the great majority of raw materials and satisfy 85 percent of the needs for consumer goods. And, it is a fact that, precisely, these achievements, including the creation of a multibranch industry relying on domestic resources and natural wealth of the country, have made possible today under the conditions of the fiercest capitalist-revisionist encirclement and of the deep economic crises that have caught the capitalist world, to progress and march forward at relatively high rates, without stretching our hand out to anybody, without foreign aid and credits.

The successes achieved in these 37 years of the people's government in the process of socialist industrialization prove in the best way possible the Marxist-Leninist thesis that even a small country, like Albania, can rapidly develop its production forces, enter the road to socialist industrialization and successfully build socialism when it is led on this road by a party which has Marxism-Leninism as its infallible compass, which implements it in a creative manner and which protects, to the end, the interests of the working class, of other working masses, of the fatherland, and of the socialist revolution.

On the basis of the successes achieved and of the conditions created, the draft directives of the Eighth Party Congress for the new five-year plan open new horizons for progress at rapid paces on the road to the socialist industrialization of the country. The possibilities and reserves, as it appeared during the public discussions on the draft directives, are many and comprehensive. Therefore, the party teaches us that there is no room for any kind of euphoria and self-satisfaction. This is not only because of the fact that the tasks set in this five-year plan are greater and more complicated, but also because, in the great work which has been done and which is being done, there were and still are shortcomings which have obstructed the rational utilization of all the possibilities and reserves which exist and which our economic and social system creates continually.

In the framework of the public discussions on the draft directives of the Eighth Party Congress for the Seventh Five-Year Plan a creative innovative thought burst out with a new impetus and the results are great. Hundreds of valuable proposals have been approved and are being implemented this year, while thousands of others are scheduled to be implemented in the coming years of the five-year plan.

During the first 8 months of this year 257 new plants, lines and units were set up by our own forces and about 9000 new articles were produced. The second part of the coke plant and the second blast furnace of the "Steel of the Party" combine in Elbasan were completely built. The workers of the Koman hydroelectric power station changed the direction of Drin River. During the first 8 months of this year, the miners produced more than 8700 tons of copper ores, 3100 tons of ferronickel ores, 7500 tons of coal and so forth. Such results exist in all branches of industry. The main point is that this spirit of innovation and this comprehensive mobilization must be further elevated and serve to fulfill and overfulfill the plan tasks so we will greet the Eighth Congress of our glorious party and the celebration of the 40th anniversary of the founding of the party with new successes and victories.

9150
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EFFICIENCY OF NUCLEAR POWER FOR HEATING EXAMINED

Leipzig ENERGIEANWENDUNG in German Vol 30 No 6, Nov-Dec 81 (manuscript received 8 Jan 81) pp 224-227

[Article by Dr Karl Schwarz, engineer, VEG Energy Combine, Dresden, Bezirk office for Efficient Use of Energy: "Energy Management Aspects of Heat Supply With Nuclear Energy"]

[Text] When nuclear energy is used for heat supply, the power of the reactors depends on different viewpoints than in the use for generating electricity. The power of the plant is determined by the associated consumers; to assure the supply at least two independent heat sources are needed for each territorially limited heat supply zone. On these premises much lower reactor powers are obtained than for a nuclear power station which is connected with a grid. If nuclear heating stations are introduced, the low powers and low pressures of the pressurized and boiling water reactors comply with a desirable inherent safety.

The connection of furnace-heated residential areas and locally scattered industrial heat consumers of low power cannot be included at a compatible cost into the remote heating system. To replace large amounts of fossil fuels by nuclear fuels, large plants or heat consumption complexes to be created, with high annual hours of use are needed.

1. Basic Principles

When nuclear energy is used for heat supply, basically different considerations are needed than when used to generate electricity. Nuclear power stations are built in sites for which the safety conditions and cooling water supply seem favorable. The product "electricity" is fed into the general grid, the product of a power station is, so to say, supplied to an anonymous subscriber.

Heat supply plants must be built in the neighborhood of the subscribers, the justifiable transport distance is much less than for electricity. There is immediate contact between the producer and the subscribers, the orderly heat supply depends on the reliability of the associated generator. A comprehensive supply system as in the case of electricity or gas supply is unthinkable because of the costs and the losses. Or to put it briefly: in the heat supply, the producers must be adjusted to the subscribers to be supplied.

Apart from the required nuclear energy safety conditions in the case of nuclear heat supply new aspects arise as regards the safety of supply. In the case of supply of electricity, the assurance of supply is based on the grid, the failure of a power station can be compensated by the other stations hooked up. In heat supply there must be at least two heat sources for each closed supply area to assure the supply.

In the following considerations an attempt is made to analyze some important complexes of nuclear heat supply to be able to derive thence concepts for the use of nuclear energy.

2. Parameters of the Heat Transfer Agent

At this point we will only consider heat users with temperatures $t \leq 200°C$. It is highly likely that most of the low temperature heat users will have $t \leq 150°C$, since it is mainly a question of room heating, cooking and drying processes. In some cases it would be worthwhile testing whether in the heat processes lower temperatures would not be sufficient, so that the processes which are still taking place at higher temperatures could become "cost effective" with nuclear heat. In any case it should be possible to operate at the above indicated temperatures all the known public remote heating systems and almost all the applications of process heat in the low temperature range.

Furthermore, in the following considerations it is assumed that the proven pressurized and boiling water reactors are considered for heat supply in the first generation. Thus the required minimum pressure of the first loop depends on the temperature of the heat transfer agent.

3. Power and Number of Reactors

The required power for a heat supply area is determined only by the connected subscribers (the possibility of heat-power coupling is not to be considered here). To assure the safe supply, the necessary power must be divided into at least two independent heat sources. These premises apply both for overall nuclear energy supply and for base load operation with nuclear reactors.

In view of nuclear energy and cost aspects, it will be attempted to have the largest possible reactor units. On the basis of the above-mentioned principles of use, the sites must be chosen in such a manner that considerable heat requirement density exists or can be developed for remotely transmitted heat or can be created by establishing plants with intensive use of heat.

The possibility of peak load coverage by a specifically cheaper conventional fuel heated plant or by heat storage units will not be discussed here.[1]

When heat-power coupling is used, the same assertions apply as for pure nuclear heating stations. But the thermal power of these reactors is higher by the amount needed for generating electricity. Because of the necessarily higher temperatures and the several times greater pressure of the reactors for nuclear heating power stations, much higher material expenditures are obtained than for the reactors of the nuclear heating plants. Paragraph 4 discusses the different safety technology aspects of nuclear heating power stations and nuclear heating plants.

4. Safety Technology Aspects

The safety technology requirements on one hand and, on the other, the heat transport costs determine among other things the distance of the nuclear heat supply plant from the subscriber or from the population zone. The high heat requirement density sought for an economical nuclear heat supply and the minimum possible heat transport distance impose a high safety guarantee for the nuclear energy plant. According to Karwat,[2] in populated areas, nuclear heating plants should be preferred to nuclear heating power stations, since the thermal power of the reactors is about a factor 10 lower and the pressure lower by a factor 3 to 4. When the power and temperature levels drop, the reactors increase their inherent safety.

The power division into several heat generators (reactors) needed anyway for reasons of assurance of supply is consistent with this nuclear energy safety aspect. Vlach[3] stated that there are more cases of application for smaller reactor units in heat supply than for large units.

5. Territorial Prerequisites for Nuclear Heat Supply

To replace fossil fuels by nuclear energy, three territorial complexes can be defined:

a. use of nuclear reactors in the existing remote heating systems, predominantly in large cities;

b. use of nuclear reactors in large scale plants with high low temperature heat requirements;

c. the creation of new subscriber complexes by including several small and medium size plants with low temperature heating requirement.

The fact that in cases b and c besides plant heat, the residential centers in the neighborhood can be connected does not alter in any way the basic division. When in any region they are preparing for the use of heat supply through nuclear energy, the charting of the users to be considered is needed primarily for the complex c.

5.1. Existing Remote Heating Systems

The remote heating systems in cities are used mainly for room heating and hot water supply; plants operating near remote heating systems also use process heat. Remote heating systems in residential zones can generally be erected only simultaneously with the development of the territory, the extensive reorganization of cities or parts of cities with predominantly old buildings cannot be contemplated. This variant would fail both with regard to applications for remote heating lines, especially for the conversion of furnace heated homes. The increase in the remote heat supply in the GDR is related mainly to the construction of new, modern parts of the large cities. Heat is supplied mostly from conventional heating power stations; the replacement of the latter by nuclear energy plants may be implemented with:

--nuclear heating power stations
--nuclear heating stations (possibly with conventional peak load coverage).

When nuclear heating power stations are used, the higher safety risks discussed in paragraph 4 and which is affected both by the high power and high temperatures, must be taken into consideration.

When using nuclear heating stations, one must give up the electricity generated in conventional heating power stations.

But in both cases relatively "young" plants would be replaced. Most of the large heating power stations of public heat supply were built or at least restored only after the war.

5.2. Heat Supply of Large Plants

Large plants with high low temperature heat requirements (for example cellulose industry, textile finishing, potassium industry, chemical industry, among others) have similar needs as regards network technology as for the public heat supply by remote heating systems. The company's own steam generator units feed with or without heat and power coupling (industrial power stations) into an existing heat supply network. A considerable advantage of these users is, since we refer mainly to technological (process) heat, the higher annual time of use as compared with home heat users (for example in the cellulose industry 6,000 to 8,000 hours per year as compared with 2,000 to 2,500 for room heating and hot water supply).

With favorable territorial conditions, the connection of residential heating supply with plants is customary. To replace conventional industrial power stations by nuclear energy plants, the same considerations apply as for the public remote heating systems.

5.3. New Subscriber Complexes for Nuclear Heat Supply

To achieve on the largest possible scale the main purpose, the replacement of ordinary fuels by nuclear fuel, it is not sufficient simply to replace the heat sources in the existing remote heat systems. From the figures given in Paragraph 6 it may be derived that in the GDR only about 6.5 percent of the low temperature service heat requirement can be replaced by this method. Besides the inclusion of large scale plants with intensive use of heat into the "replacement program," the establishment of new "nuclear energy compatible subscriber complexes." Two basic variants may be used:

a. The inclusion of a number of territorially favorable small and medium-sized plants with low temperature heating requirement; in this case the operating networks exist; the connection into a remote heating system is needed;

b. the erection of intended plants with intensive use of heat in the neighborhood of possible user centers, i.e., even when planning the plants, the site must be selected taking into consideration the coverage of heat requirements.

In both cases it is understood that residential centers located or to be built in the vicinity can be included into the supply system.

6. Possibilities of Heat Requirement Coverage in the GDR

With the following rough analysis of the low temperature heat requirements in the GDR an attempt is made to discuss the possibilities and scales of magnitude of a "substitution program."

6.1. Public Remote Heating Systems in the GDR

Table 1 shows some important energy economy parameters of 28 of the altogether about 85 remote heating systems of the GDR. The other 57 nonincluded systems have thermal powers of less than 100 MW. This lower limit was chosen with regard to the reactor power sought.

Taking into account the footnotes, the following may be estimated on the whole:

a. It was possible to use reactors of 250 MW power only for 6 systems, most of the reactors had to have powers of $P = 50$ to 150 MW.

b. For more than 60 percent of the units, the low load is less than 11 percent of the maximum load.

c. The annual hours of use are low; on the average they amount to only 31.5 percent of the maximum possible number of hours of use.

d. The replacement of the heating power plants feeding into this network by nuclear heating plants would mean giving up approximately 3 percent of the total electricity generated in the GDR.

6.2 Room Heating

(all service heat)

Annual heat consumption for room heating	700×10^3 TJ/a
of which:	
--remote heat	70×10^3 TJ/a
--solid and gaseous fuels	
residences	260×10^3 TJ/a
plants, community units, supply	370×10^3 TJ/a

Table 1. Indication of Some Parameters for Remote Heating Systems in the GDR With Maximum Possible Transmission Powers Starting From 100 MW

Power of remote heating systems MW	Number of Systems Units	Annual heat (total) TJ/a	Electricity generation (total) GWh/a	Room heat Percent	Techno-logical heat Percent	Low load Maximum load	Annual hours of use of heat
> 500	6	32,000	1,460	61-88	12-39	0.02-0.11	2630-5600**
300-500	2	6,400	320	75-88	12-25	0.04-0.10	3250-3380
100-300	20	38,000	1,500	49-100	0-51	0.04-0.30*	2360-5530**
Σ 7660	Σ28	Σ76,400	Σ3,280				Ø2760

* In three cases >0.20
In five cases 0.10-0.20
In 12 cases <0.09

** Only in a few cases b > 4000 h/a

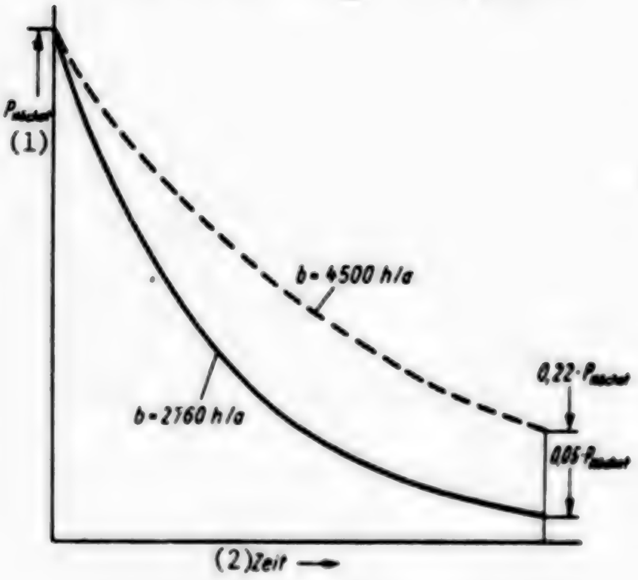

Fig. 1. Theoretically arranged annual load progress curve according to [1] for a remote heating system with 2,760 annual hours of use and high process heat component with 4,500 annual hours of heating.
Key: (1) $P_{maximum}$ (2) time

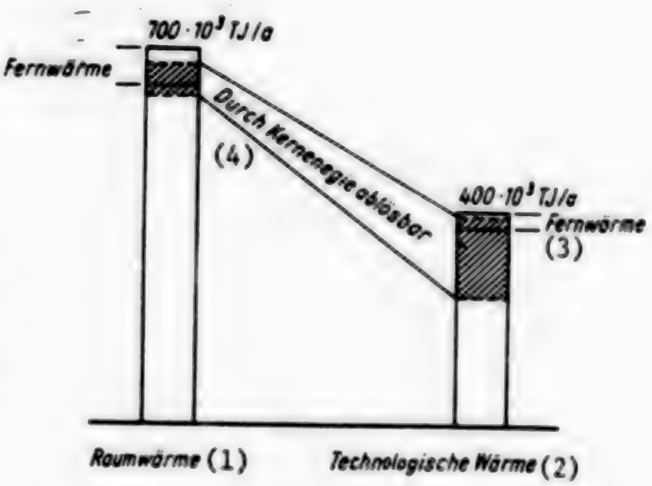

Fig. 2. Service heat requirement t < 200°C in the GDR and the possibilities of its supply with nuclear energy.
Key: (1) room heat (2) technological heat
(3) remotely transported
(4) suppliable with nuclear energy

It may be estimated that remotely transported heat may be included immediately, but plants, community centers, etc, only under certain hypotheses in the "substitution program." The hypotheses are that such users can be included in new supply complexes to be established. The "operational central heating equipment is available in most cases. The users located within "furnace heated territories" are not taken into consideration.

6.3. Technological Heat With $t < 200°C$

For amounts of heat with $t < 400°C$, studies have been conducted. Experience shows that most by far of these processes only need temperatures $t < 200°C$. Only very few of them are within the temperature range of 200 to 400°C. In this sense we may understand the following estimate:

altogether	400×10^3 TJ/a
of which:	
--remote heat	30×10^3 TJ/a
--solid, liquid and gaseous fuels in plants	370×10^3 TJ/a

Here the same holds true as in Paragraph 6.2. Large companies may already be "nuclear energy compatible subscribers."

For the required reactor powers the same values apply as in the paragraph 6.1. In the GDR there are only few large companies and heat requirement concentrations in which it is possible to use reactors with $P > 100$ MW.

6.4. Replaceable Heat

--Remotely transported heat⁽¹⁾ (Table 1) 76×10^3 TJ/a $\hat{=}$ 11×10^6 tons crude brown coal

--technological heat, supplied previously by solid, liquid and gaseous fuels

35 percent of 370×10^3 TJ/a $= 130 \times 10^3$ TJ/a $\hat{=}$ 18×10^6 tons crude brown coal per year
x heating of buildings of these companies
15 percent of 130×10^3 TJ/a $= 20 \times 10^3$ TJ/a

Replaceable 226×10^3 TJ/a $\hat{=}$ 29×10^6 tons crude brown coal/a

For remotely transported heat the existing replaceable heat (reactor powers $\geqq 50$ MW) was taken into consideration; this value is increased by the establishment of other remote heating systems. According to the industrial territorial structure in the GDR, even 35 percent replaceable technological heat seems to be high, since most medium-sized and small plants are scattered and in locations unfavorable for possible heat supply centers. Assuming even 50 instead of 35 percent, the replaceable heat would only be increased to 290 TJ per year or 36×10^6 tons brown coal.

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1. In converting the remotely transported heat to crude brown coal estimated efficiencies were considered.

6.5. Required Reactor Power and Replaced Fossil Fuels

According to the above analysis we find the following table of replaceable amounts of heat and required reactor capacities from the modern viewpoint:

	Remote heat	Process heat (including room heating of these companies	
Replaceable hours of use	76 x 10^3	150 x 10^3	TJ/a
per year	2,760	4,500(2)	h/a
thermal power needed	7,660	8,000(3)	MW
crude brown coal replaced	11 x 10^6	18 x 10^6	tons/a

Figure 1 represents in the most simple form the theoretical load progress curves according to the above table. The following approximate values are obtained according to [1]:

	Remote heating system	Process heat	
Hours of use	2,760	4,500	h/a
Low load/maximum load	0.05	0.22	--
Annual heat/maximum annual heat	0.32	0.52	--

Figure 2 shows the low temperature heat replaceable by nuclear energy according to present estimates. The unshaded portions of the columns represents generally the amount of heat which cannot be replaced in the foreseeable future while the remote heating component will undergo further expansion.

7. Summary

When nuclear energy is used for heat supply, different principles apply than when it is used for generating electricity. To guarantee the supply, one must start from the fact that in each closed supply region at least two independent heat sources must exist. Reactor units of more than 50 to 250 MW thermal power may have more applications in nuclear heating plants than high powers. Disregarding a heat-power coupling the reactors have lower powers and lower pressures, both increasing the inherent safety of the nuclear facility. When used in areas with high process heat component the use of the reactors is effective.

Most of the heat users now supplied with solid, liquid and gaseous fuels cannot be included because of the territorial location and the minimum safety requirements and power needs, in the nuclear heat supply. This includes most of the residential heat supply.

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2. Estimated value; taking into account large-scale plants, probably lower value.
3. A conversion degree of 0.85 was taken here, because the conventional heat requirements refer to fuel heat. In remotely transported heat, the thermal power refers to service heat in the form of hot water or steam.

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9018
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COMPENSATION OF MANAGERS NEEDS REFORM

Budapest HETI VILAGGAZDASAG in Hungarian 6 February 82 pp 26-29

[Article by Laszlo Antal, Laszlo Lengyel and Miklos Polgar: "Managerial Incomes; Dangerous Undercompensation"]

[Text] "If I consider my income to be 100 percent, less than 10 percent of what I get is based on objective criteria," the manager of a trade enterprise pointed out with considerable resignation the other day. A factory director, in turn, complained that "if in a year I manage to 'save up,' let us say, a 5 percent wage increase for the enterprise, I myself will receive maybe 2 percent, but it is also possible that I get nothing at all or as much as 7 percent for that matter." And as it turns out from a survey conducted recently by members of the Financial Research Institute, involving 80 enterprise managers, they are not alone in their opinion. Some of our conclusions are based on the facts they have found.

It is a generally accepted view that enterprise managers at different levels are considered to be the key figures of economic life. The extent of their interest in better and more efficient management work, therefore, does make a difference. Of the several components which this interest is comprised of (including, among other things, the possibility of independent work and and the level of moral appreciation), one of the most important is the role of financial incentrives and the manner of manager selection. The problems of our economic life and the candid views of the managers themselves equally prove that there are plenty of things to improve on in both areas.

From the point of view of the interest-incentive system currently in effect, enterprise managers can be divided into two groups. The determination of the wages, premiums and bonuses of the members of one of these groups, referred to as top-level enterprise management--which includes directors general, deputy directors general and directors--falls within the jurisdiction of the enterprise's supervisory authority, which in the case of an industrial enterprise, for example, is the Ministry of Industry. According to the decrees now in effect, the supervisory authority sets the basic wage of the enterprise's top manager, and determines the amount of wage increases he may be granted in a given year. In addition, it is also empowered to approve premium payments tied to enterprise-performance indexes. The chief consideration in determining this latter is the development of the enterprise's so-called profitability index, i.e., its profit-to-wage plus aggregate-asset quotient. To compute the amount of the payable premium, they multiply the profitability index by a multiplier, determined in accordance with the enterprise's asset-to-wage ratio. (Let us assume, that in 1 year a given enterprise has earned 10 million forints in profits, has had 80 million forints worth of assets and has expended 20 million forints in wages. In this case, the profitability index would be 10 percent. The asset-to-wage ratio in this instance is 4, coupled with a multiplier which, according to the decree, is to be determined anywhere between 0.5 and 1.2. If, for example, the ministry decides to set the multiplier at 1, then the premium will be 10 percent of the annual basic wage.) In practice, this multiplier changes from year to year. The proportion of the size of the payable premium vis-a-vis the basic wage is not restricted by any statutory provisions.

It is also within the supervisory authority's sphere of jurisdiction to determine bonuses based on an assessment of the complexity of the manager's activities. The upper allowable limit of this bonus may not exceed 20 percent of the basic wage in the "preferred" and category "A" enterprises, 15 percent of the basic wage in category "B" enterprises and 10 percent of the annual basic wage in all other enterprises.

The other group of managers is made up of midlevel and lower level enterprise managers. Their earnings are divided into two main parts: basic wages and premiums. Their basic wages and the size of their basic wage increases are determined by the enterprise's top management in accordance with the rules of wage categorization. The premiums of midlevel and lower level managers are made contingent upon the fulfillment of certain predetermined premimum tasks. These premium tasks are usually assigned by a manager who is one step higher up in the hierarchy. The proportion of the size of the payable premium is not restricted by any statutory provisions. According to customs that have evolved through practice, the maximum premium attainable by midlevel managers cannot exceed the amount of the premiums received by top-level management, and among managers of equal rank there is no discernable spread as far as the amounts of their premiums are concerned.

As the surveys conducted among the people concerned have demonstrated, for every view and every factor affecting managerial incomes, there is a contradiction interspersing their system of interests. The basic wage set by the ministries, for example, in most cases does not reflect the managers' "market" value, i.e., that difference in value which exists, let us say, between the working abilities (power, risk, overall view, prestige) of semiskilled workers and enterprise managers, directors and subordinate managers. In the opinion of managers, wage increases implemented by the supervisory authorities are subjective and, on top of it all, they distort the existing wage rates within the enterprise. It is a fact that under the present circumstances it is hard to compare the activities or managers working in different enterprise. Hence, the supervisory authorities use traditions and equalization to decide whether to differentiate or not.

Just as problematic is the method of determining premiums. This is because the profitability index which serves as its basis not only changes radically as a function of profits, but is also sensitive to changes in the enterprise's ratio of utilized assets and wages. This in turn means--especially if, as it is the base under present regulations, the managers have a vested interest in the enterprise's short-term success--that in the development and "capital accumulation" phases of the enterprise the manager's income may actually drop.

It has been widely observed in the course of examining managerial incomes that one of the supervisory authorities' main considerations in awarding monetary bonuses has been to ensure that it does not generate any tensions. Thus, the determination of the premium multiplier is a kind of "extortion": if there is an increase in the enterprise's output, they lower the multiplier in such a way, so that if possible the manager's premium does not exceed 30 percent of his basic wage. Also a potential source of subjectivity and a cause of uncertainty is the fact that the Ministry of Industry has reserved the right of making midyear modifications in the premium multiplier for itself, which makes it pretty hard for managers to make advance calculations regarding their income.

There has also been considerable criticism concerning the "complex bonuses" received by managers. This is because these are often designed to offset existing premium differences. Although--according to the regulations--there are several considerations that must be taken into account in granting them (i.e., the utilization of assets earmarked for development, measures aimed at eliminating unprofitable production and the market policy of the enterprise), the determination of their extent is essentially still subjective. What is more, the supervisory authority does not justify either the reasons behind or the extent of the deviation from the highest awardable limit.

One cannot help but question a basic indicator of interest which has to be corrected by premiums and complex bonuses--no wonder that sometimes even the manager does not know where he stands with all this. Yet, it is at least as much in the manager's interest as anybody's to know precisely how his work is evaluated. His interest does not significantly differ from the interests of others. Here again, what determines his situation is his position in the labor market as a whole, more precisely, his standing within the enterprise hierarchy. The price of management positions must be expressed in terms of something and there is no getting around it: if not in wages, then in non-wage--although by necessity less certain--bonuses. An example of such a bonus would be the possibility of easier access to housing.

An important, and perhaps even vital element of managerial interest is the question of manager selection. The experiences of the interviews indicate that today it is still the personnel-policy factors pursued by our governing institutions and social organs which play the most important role in the selection of top managers. Within the enterprises, rising in the ranks is generally slow and requires a high degree of conformity. We find that at the levels below top management it is often much more important to have good local knowledge and to be able to find one's way around among the various complex, and in most cases unclearly defined, relationships of interests, than to have good professional skills. In addition to the problem that we have an industrial structure which is based mostly on monopolistic enterprise, this is still another important reason why we have a rather limited movement of managers among our enterprises.

As evidenced by the facts, the interests of managers are determined by their unique position, namely by the fact that they are floating between the governing and social organs and the internal organization of their respective enterprises like Mohammed's coffin. They are defining the main role forced upon them by the circumstances as being one of equalization and compromise-making between the two sides of the "counter." The manager, if he wants to stay with the enterprise, must sooner or later become its interest-representative and lobbyist. Under such circumstances, in the interest of strengthening the enterprise's position (for these positions determine the extent of the moral and material recognition received by the managers), the manager may, in the short run, be willing to maneuver against his own "interests" and to hide the performance of his enterprise.

It is easy to criticise, but how about coming up with some workable suggestions; critics are often told. What else can we do to improve the effectiveness of the incentives that are currently provided to our economic leaders?

It is perhaps already evident from what has been said so far: while it is conceivable to make changes within the existing incentive system, it is just as conceivable to create one that is completely different.

Even as things stand now, we could, for example, reduce the differences in the basic wages of our enterprise managers, since a good many of these differences have to do with the particular--former--ministry under whose supervision the given enterprise used to belong. We have to take into account that in the long run the average basic wage increase of top managers cannot be lower than the wage hikes of subordinate management workers without causing negative reactions. In establishing basic wage systems we must also make certain that we allow for wage increases that can be awarded without promotions. It would seem expedient, however, to reduce the weight of premiums in incomes; more precisely, to incorporate a portion of them into the basic wage. Furthermore, only those jobs should be allowed to be set as premium tasks which indeed fall within the competence of the given person. And as far as the complex bonuses are concerned--which experiences have shown to have been based mostly on subjective judgments (perhaps this is why they refer to it jokingly as "face money")--they should be eliminated and incorporated into the basic wage.

In manager selection, it would be useful to introduce the competitive system. Only those should be allowed to become managers who submit an application for the announced vacancy and--based on a joint decision by the supervisory ministry, the enterprise's professional management and the enterprise's union--win the competition. It would also be expedient to leave only the competitive appointment of the director general and the director within the supervisory authority's sphere of jurisdiction, and to put the director general in charge of appointing deputy directors.

Under a comprehensive reform, other form of managerial interests would also become conceivable. For example, it would make it possible to have an enterprise manager, appointed by a given proprietory organization, who has won his managerial position through a competitive application process. The enterprise manager would be responsible to the proprietory organization for making certain that the economic unit placed under his direction is run and does business in accordance with the proprietor's wishes. This form of manager selection would be objective and professional: it would be based on the person's professional competence, practical experience and on his former employer's recommendation, and the employee's corporate organ would also take part in the decision. The manager's wages would be determined by market competition. Premiums and bonuses would lose their signifiance and there would no longer by any extra managerial bonuses (such as an apartment, the use of a car, holidays), since the funds for these would be automatically included in the wages.

For this wage, the manager would pledge to attain the economic result specified in his job description, and if he failed to deliver, than instead of lowering his income he would be asked to leave and accept a lesser position.

There is another possible form of interests for top-level managers, which differs from the previous one only in that if the manager exceeds the required results, then he would receive--without any upper restrictions--a proportionate share of the returns. In such a system, there would no longer be a need for giving a subordinate manager special incentives: his eages would take care of his living expenses, while on the other hand, the activity which falls within his actual sphere of authority would be strictly defined. In a precisely put together, consistent system of management, a manager is only able to accomplish what is prescribed for him--nothing more, nothing less. The top manager undertakes the task, and the subordinate manager carries it out, but does so without assuming any of the risks. And if he is unable to carry it out, he loses his position.

Still another possible form of managerial interestedness would be a kind of business-venture-type interest. Under such a system, the manager--i.e., the enterpreneur--would have to win the economic unit by way of competitive bidding. The subject of the bidding would be the so-called capital value (this system, which is Tibor Liska's concept, was discussed in detail in the 5 December 1981 issue of HVG). If the enterpreneur's interest lies in increasing the capital value rather than his profits, then instead of trying to figure out how to "rob" his business venture in a matter of a few years, he will work hard to make it prosper in the long run.

Undoubtedly, in addition to those listed, managerial interests could conceivably also take some other, entirely different forms. And this is only natural, since it would probably be fruitless to try to come up with a single system that could be adapted to the wide variety of existing interests. What we should do, therefore, is to provide an opportunity for these various forms of interests to assert themselves in practice, if necessary, even side by side.

9379
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LABOR MARKET OVERALL BALANCED, TENSIONS PERSIST

Budapest NEPSZABADSAG in Hungarian 3 Mar 82 p 10

[Interview with Janos Timar by R. B. "New Phenomena in Manpower Movement"]

> [Text] The branch structure of the labor force has changed in recent years; the direction of manpower movement and the reasons for changing jobs have changed also. We talked about these new phenomena with Janos Timar, leader of the Labor Science Faculty of the Karl Marx Economic Sciences University.

[Question] It is well known that the number of earners has declined rather significantly in the industry, most recently in the construction industry also, while the number of agricultural workers increased slightly last year. At the same time there have been changes in manpower movement. How should these changes be evaluated?

[Answer] Obviously the changes in branch personnel have come to the forefront of attention because the direction of change is unusual. The increase in agricultural personnel, especially, deviates from our development thus far and from the general international trend. But the change in manpower employment according to activity is not so large as the branch (organizational) statistics suggest. A good part of the labor force was merely regrouped among enterprises and cooperatives belonging to different branches without changing the branch character of their activities. It is enough to point out that today about 200,000 people are doing largely industrial or construction industry work in the so-called "auxiliary operations" of the large agricultural operations. So if we look at the branch distribution of the labor force not according to "organizations" but rather according to "activities" the above mentioned change in branch structure is not so significant, although it cannot be neglected.

Important Changes

[Question] Can these changes be judged favorable from the viewpoint of the efficiency of manpower use?

[Answer] I think they are favorable under the given conditions and circumstances. In 1980 labor productivity stagnated in industry and declined in the construction industry. In 1981 industrial productivity, in part, returned to the old growth track but the slump continued in the construction industry. It can be concluded from this that the so-called internal manpower reserves increased rather than decreased in the economy, and especially in industry and the construction industry. In this situation it can be judged favorable if there are opportunities for the employment of manpower in other branches, in fact within the organizational frameworks of the agricultural operations, since to a significant degree these operations are meeting needs which the large enterprises of the responsible branches did not satisfy earlier, even with extra manpower.

[Question] How should we evaluate in this new situation the development of manpower movement, the decrease in the ratio of job changes?

[Answer] Manpower movement did decrease by a few percentage points between 1976 and 1980. This was a natural consequence of the fact that the rate of our economic growth moderated and the size of the economically active population declined slightly. But there were other, more important changes in manpower movement which merit greater attention. For many years only 9-10 percent of all job changes were initiated by the enterprises; in 90 percent of the cases the employee decided to leave the enterprise. This was still true in 1976. But in 1977 the ratio of job changes initiated by the enterprises jumped all at once to 19 percent and in 1980 it exceeded 33 percent. Deviating from what had been true earlier this ratio increased less than the average in industry but in the non-material branches nearly half the job changes were initiated by the employer.

This is a phenomenon which indicates important changes maturing in management and employment. Earlier, because of the increasing manpower shortage amidst conditions of low requirements and swift economic growth, the competition among enterprises to obtain and retain manpower sharpened. Requirements were forced into the background, not only when employing someone but even when defining or evaluating work performance.

Well, as compared to this earlier situation, it is a favorable phenomenon from the viewpoint of new possibilities for realizing economic efficiency that within a short time there was a considerable increase in the ratio of enterprise terminations and transfers among those leaving. This also indicates that there is a greater realization than before of employer requirements in hiring and keeping manpower. At the same time more detailed data on manpower movement indicate that this new trend is realized less in industry, which may be interdependent with the fact that the still existing labor shortage is greater than the average in industry or that a number of the industrial enterprises have adopted a wait and see attitude and are holding on to existing manpower. The present system of profit interest has not yet adequately increased cost sensitivity, does not prompt a more rational use of resources.

A Balanced Labor Market?

[Question] Do you consider the new trends mentioned, or the strengthening of them, compatible with full employment, the maintenance of which has been affirmed by the most recent resolutions and statements?

[Answer] To simplify somewhat, full employment means that the volume of manpower demand at least reaches that of manpower supply, that the composition of both largely correspond to one another, or that there is no unemployment in the social sense. Here, however, a situation developed in the past where demand increasingly exceeded supply, so that full employment was consolidated on the soil of a sharpening manpower shortage. The previously mentioned unfavorable phenomena strengthened under such conditions; there was wage competition, quantitative and qualitative performance requirements were forced into the background, work discipline relaxed, the incentive mechanisms became formal, etc. In this situation it was not the size or ratio of fluctuation that was objectionable but rather that the requirements of economic efficiency played a tertiary role in job changes. The risk of changing jobs was borne almost entirely by the enterprises; the costs were borne not by the individual but rather by the enterprises, or by society as a whole. So it is rather understandable that from time to time central or regional organs tried to limit by administrative means the individual freedom in regard to taking a job or changing jobs, although they repeatedly withdrew their measures after the failures which should have been foreseen.

To the extent that we succeed in restoring the balance in the labor market there will be less likelihood that anyone will get the idea of limiting the freedom of taking a job or changing jobs by administrative means directly. Parallel with this it will be increasingly important to make the workers see clearly the choices they have and those objective limits amidst which they can exercise their individual freedom of choice.

Structural Problems

[Question] But can full employment be maintained under such conditions when even now, at the beginning of a new balanced situation, structural contradictions are appearing in manpower supply and demand? I am referring, for example, to the difficulties in placing experts last year, graduates in certai areas of higher education.

[Answer] In the first place let me begin by saying that there have been structural contradictions from the very beginning. It is well known, for example, that it has been increasingly difficult for years--and this has not changed much today--to satisfy the demand for simple work done under conditions more unfavorable than the average; to put it simply, the shortage of unskilled workers became ever greater. At the same time we know, we have experienced, that this shortage was solved--in part--under the given conditions by having a part of the specially trained workers give up the realization of their special training and take simpler but better paying work--to no small degree as a result of earnings ratios which changed as a result of the labor shortage.

The difficulties you referred to in placing graduates from higher education point to a different type of problem. The individual problems deriving from this are unfortunate and within the limits of the possibilities we must help to resolve them. But from the social viewpoint we cannot ignore a number of factors among which I would like to mention at least two. One, for example, is that last year almost 15,000 experts finished their higher education and only 400 of them were not offered jobs in their speciality. All this happened under circumstances where the economy of our homeland struggled with serious difficulties as a result of crisis phenomena in the world economy. It would be an illusion to expect and it would be irresponsible to promise that here, in Hungary, we could make ourselves independent of the new requirements of the re-ordering of the world economy. And the only way to adapt to this is to take a new path for economic development which will improve living conditions too. This adaptation has required the bearing of difficulties greater than those mentioned and it will require them for some time still.

[Question] Do I understand you to say that we can develop, more or less, a global balance on the labor market but that we must continue to reckon with structural contradictions in manpower supply and demand?

[Answer] In essence, yes, in that in the present economic situation we can achieve a relative, global balance in the short term, while the easing of the structural contradictions will require the unfolding of new, long-range developmental trends, apparently entirely independent of one another, among which the most important are: a considerable increase in international cooperation in our external economy, price and wage reform modifying the cost ratios of new technology and wages, a structural reform of the educational system and, over the longer term, the development of conditions for a bilateral linking into international manpower movement. Initial steps have been taken already in some of these areas. The acceleration of progress in these areas is justified entirely independent of the manpower situation. A long time will be required for this. Until then we must live with manpower conflicts, the unfavorable effects of which we can moderate only if we make preparations in advance of their occurrence.

8984
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HUNGARY

SMALL, LARGE ENTERPRISES MAY SUCCESSFULLY COEXIST

Budapest MUNKA in Hungarian No 2, 1982 pp 14, 15

[Article by Zsuzsa Ban: "Small Versus Large Enterprises"]

[Text] Nowdays many opinions are voiced in discussions concerning large and small enterprises. Small enterprises and even more so industrial cooperatives are praised for their speed and flexibility, the ability to respond to requirements extremely rapidly, and it is observed that these qualities bring them profit and well-deserved benefits. Large enterprises are mentioned in the opposite context: they are sluggish, slow to respond, ideas take a long time to be implemented.

Indeed, there is a great deal of truth in these arguments. But since we have a tendency to think in extremes, we are now just as ready to condemn large enterprises as once we were to voice the economic advantages of the merger of small companies.

Double Benefits

The truth, as usual, is in the middle. The mere existence of a small company does not necessarily result in the ability to effectively, economically and profitably produce products that have an unlimited market. At the same time, a large enterprise does not necessarily always push the production of only those goods which respond to international requirements besides domestic ones and neglect truly national needs and requirements.

In my opinion, a large enterprise which, in addition to the complete fulfillment of its economic concept, provides the opportunity for the common expression of initiative and creative spirit can successfully combine the advantages of both small and large enterprises inside the "factory gates". At first glance, this appears to be a rather unusual design, but there are dozens of examples already to prove that it can be easily implemented. Especially. since the newest control modifications and regulations provide the opportunity for large enterprises to foster and even stimulate the initiative of their employees. An example is the initiative of the Csepel Car Factory, where, since January an independent business association provides the services formerly provided by a cooperative. This has double benefits, since profits are not skimmed off by the cooperative performing paid work and, at the same time, experts can find "inside the fence" the kind of benefits which are normally offered by a cooperative.

The Hungarian Ship and Crane Factory is considering similar thoughts and ideas. We have found examples in the United Incandescent Lamp Factory that a business association is not necessarily needed by a creative group to "think like a company" and realize ideas equally beneficial for the small and large community. A management readily supporting these efforts is probably necessary and an atmosphere in which it is worthwhile to take risks and where the means and conditions are provided for the realization of ideas.

An example is Tungsram's Konverta Factory 1981 novelty, the Ecotron gasoline saver apparatus. How did Konverta (which produces mostly electronics products and devices) get involved with gasoline saving? As practice shows, very easily, since it was exactly thanks to its incandescent-light science, experience and large inventory of technical tools that it could achieve mass production in a matter of months.

Ideas, Results

Konverta recognized the merits of an invention shown on television; as it turned out, the new product did not cause any difficulties for the experts well-versed in electronics. Ecotron is useful for motorists, because it saves 1-1.5 liter of gasoline per 100 kilometers. Even if it is only installed on half of the currently used private automobiles, gasoline savings increase can be measured in 10s of millions; the product is, of course, beneficial for Tungsram as well, since it allows the firm to expand its product line.

What are the benefits for the factory? It can increase its profits by a fuller utilization of its resources and equipment, and, as a result, workers are enjoying a larger share of the profits, e.g., in form of salary increases.

At the same time, Konverta introduced another novelty, having bought an earlier company invention from Medicor, the production rights of an X-ray radiograph corrector. They were striving for immediate international recognition of the handy and useful instrument, filling an old deficiency in therapy. In Sweden and the Federal Republic of Germany, during the exhibit of the highest ranked medical instruments, the new Hungarian instrument was successful and can expect a steady interest on the European market. Especially, since it can be used not only in health care but also for the checking of welds of ship hulls and the faults of oil pipelines.

Producing for the Market

A novelty to become the sensation of the 1981 Christmas fair was born out of the discovery of another factory community, the tool and die factory. Lacking a helpful partner, the company did not quite know what to do with the types of assets used in the mini light organ, the disco SET and the disco PLUS which is capable of more sophisticated light and sound effects. The method was familiar since the Japanese industry took advantage of the opportunity a long time ago when it flooded the market with millions of extremely inexpensive tiny pocket radios, witty toys and simple computers. This is how it managed the practice of the most economical production of semiconductors in the world.

The tool and die factory started out from similar ideas. Nearly every part of their innovation is a product of Tungsram's factories; only the 18-forint microphone had to be imported. And the mini light became a giant success. 10,000 were placed in stores by Christmas; next year's orders will be even bolder.

The die factory is preparing a new sensation: they are planning the developmet of electronic games and computer chess. However, they are not only involved with the entertainment of children and playful adults, but also with environmental protection. The factory started the production of an air sampler instrument based on a patent from the Iron Industry Research Institute.

Brand Name Obliges

Tungsram is a major light-source manufacturer, a highly-ranked supplier of turn-key light factories to five continents. But the independent initiative of the factories is compatible with this extremely useful and important activity of the national economy. Factories can manage the highly-developed Tungsram technology well, can make use of the advantages of technological preparedness and even take advantage of the opportunities offered by the brand name if the novelty of it measures up. And since the large enterprise recognizes and supports these attempts, more and more incandescent factories surprise the domestic and foreign markets.

In the discussion on large versus small enterprises, it would perhaps be better to exchange ideas on how to increase the ability of the creative community to act. And this does not depend on the size of the "factory fence".

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AIM OF FOOD INDUSTRY REGULATORS CLARIFIED

Budapest FIGYELO in Hungarian 17 Feb 82 p 15

[Article by Dr Ferenc Szabo: "Approaching Conditions"]

[Text] Since 1 Janaury--simultaneously with the elimination of the middle directing organizations--the independent enterprises of the canning and poultry industries have been operating according to economic regulations in effect for agriculture.

"Approaching" the regulation of vertically closely interrelated areas is on the agenda not for the first time now. For example, in the early 1970's some of the more important regulating elements of the special branches of wine, poultry and canning industries were already identical with the methods applied in agriculture, at least in the state farms.

Mutual Characteristics

During the course of modernizing the regulatory system of the Sixth Five-Year Plan this occurred in the sense that it would make sense to apply the same type of rules in a series of food industrial specialty branches as in agriculture. As a result of all these, agricultural regulations was extended to the enterprises of the wine industry since 1980, and to those of the canning and poultry industries starting with 1982.

The distribution of 100 Fts of additional profits according to industrial and agricultural regulations*

	Industrial	Agricultural
	regulation, FT	
Profit	100	100
Taken away centrally, and put into reserve	60-70	48-49
For interest funds	30-33	51-52
Of this:		
for distribution funds	4-6	9-12
for development funds	24-20	39-43

* The above ratios are valid only if the profits of the poultry, wine and canning industries reach the planned level!

This sequence of the changeover is not accidental. There is a close relationship between the food industry and agriculture, but the essence, the qualitative side of these relations is determined primarily not by the ratio of raw materials derived from agriculture in the products processed by them, but much rather by other characteristics related to the production program and to the sales opportunities.

In what ways are the three special food industrial branches which have switched over to agricultural regulation similar to each other?

First of all, in that the supply and demand conditions change often and vigorously on the domestic and foreign markets of their products. All three special branches are working with raw materials the transfer of which--delivery and receiving--within the vertical require special care.

Thus it has become unavoidable in these verticals to adapt identical conditions, identical approaches, and stronger common interests in the processes of production (having things produced), processing and sales.

Thus, this is the main, though not the only, reason for changing over to agricultural regulation!

Even from just the mere fact of identical regulation, we expect a growth of vertical relationships and of integrated activity. That is, if the people with roles in the vertical--the breeders, growers, producers, processors and sellers--all see each others' economic circumstances the same way, and if they recognize their joint interests, then the chance for joint action is inherently better, too.

The conditions of profit-forming are changing, and the rules for distribution of profits are also being modified. For example, it has great significance that in the changed situation--since the SZTK [Trade Union Social Insurance Center] contribution is 7 percentage points lower than industry's payments--live labor becomes relatively less costly than before. This provides opportunities for labor and wage management in better harmony with the given conditions and with labor intensiveness.

More flexible and, first of all, more profit-sensitive economic operation is served by several regulatory elements:

--the participatory fund, which can be formed free of taxes, is more profit-sensitive;

--since the source of wage increases from now on will be not the sharing fund but profits after taxes, greater opportunities will open up to "buy" larger wage increases;

--even if only in a limited way, the end-of-year bonuses can be converted to taxable wage increases; etc.

The changeover to agricultural regulation will be coupled with unchanged relationships to the budget, at least in the first year. But in the time period after that the enterprises, due to the changed rules of dividing up the profit, are expected to concentrate more vigorously than before on profits which form the foundations of their interests.

The interests of enterprises and individuals are increased by the fact that a more favorable order of distribution than before will be valid for every forint of the increased profits.

Thus, the extent of municipal and town taxes on profits is decreasing from 15 percent to 1.5 to 2.5 percent. Gross income taxes will consume a smaller portion of profits than did the general taxes paid on profits before. The size of mandatory reserves formed from the profit is 5 percentage points less than specified by the industrial regulations. The sharing fund, formed tax free, also depends on the way the value of per capita profits develop; etc.

Profit-Sensitivity

By increasing profits, these changes create the opportunity to expand the interest funds more than in the past, and to increase personal interests. And as far as the deepening of integrated relationships is concerned, thinking along the same lines and having common interests will be joined by the financial manifestations of these in the form of available means which can be regrouped.

It can be justly expected that more money will be available than before from the development funds formed under more advantageous conditions, to strengthen the weaker links in the vertical's chain. This may take place for the technological improvement of agricultural production, or within the framework of modernizing the processing sphere for a particular purpose. The fact that amortization can be held back fully, lends even more emphasis to this type of joint activity.

Changing over to agricultural regulations creates a number of favorable opportunities for the food industrial enterprises affected. But this is only one aspect of the changeover.

On the other hand, those difficulties must also be taken into consideration which derive partly from the transitional situation, partly from the generally more severe economic conditions, and partly from the implementation of the principle of "something for something."

The Price of the Advantage

That is, it is a natural thing that the regulations applied to agriculture, which insure a more advantageous distribution of the profits, also have a price. It is obvious: if distributing profit becomes more favorable for the enterprises, it should be more difficult to earn it!

Simultaneously with the changeover to agricultural regulation, the budget's attitude became more severe toward the nonruble exports of these industrial branches.

It is an unquestionable fact that the agricultural regulatory system provides significantly greater freedom of decision to the managers of enterprises which have become independent than they had before. This is so especially in forming and using the interest funds. It depends essentially on this point, on the decisions the enterprises make and on how well they recognize the situations, whether the just hopes attached to the changeover will become reality.

8584
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PETROLEUM TRUST FACES CHALLENGING YEAR

Budapest FIGYELO in Hungarian 17 Feb 82 p 2

[Article by Dr Laszlo Pal: "At the Beginning of a More Difficult Year"]

[Text] According to the goals of the energy management campaign program, specific energy demands must be decreased and further steps must be taken to substitute domestic energy sources for imported hydrocarbons. Implementing these tasks is the condition for improving the national economy's equilibrium, but simultaneously it also causes an unfavorable effect on the economic operation of the National Oil and Gas Industry Trust (OKGT) because of the decreased volume of petroleum processing and of the amount of liquid hydrocarbons sold. Thus the trust must improve its economic operation while the utilization of its refinery capacities deteriorate and while its sales volume decreases. In addition, it must do so under the conditions of a more severe economic regulatory system.

Decreasing Sales

Sales volume is decreasing in 1982 and according to market reports we also cannot expect the earlier dynamic rise in export prices. Rather, the preliminary indications make it probable that they will stagnate or decrease.

The startup of investments serving to form a new product structure corresponding to the new economic circumstances is expected only in the second half of the Sixth Five-Year Plan's time period, therefore practically the only way to improve the results is to decrease costs. But this is not possible with some cost factors, partly because amortization will further increase in 1982. The expected decrease in employment will not result in cost savings because wage levels will increase more than the decrease in employment.

Thus, there remains as a possibility the decrease of material, energy and other costs. Without question the trust must moderate these. We must implement cost reduction in spite of the expectation of price increases for some types of materials. The difficulties mentioned are also reflected in the trust's annual plan. Due to the change of circumstances, we modified the goals of the original Sixth Five-Year Plan as they apply to 1982, and the current version expects more modest results than that.

The gross production value (at unchanged prices) will be 2.5 percent less than in 1981. The 700,000-ton decrease in petroleum processing has the largest impact in this. The 7.7 percent decrease in raw input is counterbalanced only in part in terms of value by continued improvement of the product structure (gasoline production decreases less and heating oil production decreases more, while production of aromatic products, lubricating oil and bitumen increases.)

On the basis of the government's energy management program, 300 million more cubic meters of natural gas must be produced. It is unfortunate that even so, production value will decrease because in the composition of the natural gas fields the ratio of those yielding poorer quality gas will increase.

Production of the gas service branch and carbonic acid production will increase. Natural gas transportation in the pipelines will increase, but petroleum transportation by this means will decrease by the same amount. Sales of petroleum products will decrease.

Debate About Employment

The average annual value of the inventory will increase by about 1.4 billion forints, due in part to the effect of the 1981 price increases and in part to the expected price increases for 1982. The ratio of hydrocarbons will increase in the composition of the inventory.

The trust expects further decreases in employment. In this question, the opinion of the enterprise managers is quite the opposite of the opinion of the management of the trust headquarters. A debate has gone on for years whenever employment has been planned; the enterprises always plan it higher than the headquarters. So far the facts have shown that decreases in employment have always exceeded even what had been planned by the headquarters. Of course, there is a sober limit to which employment may decrease, beyond which production may be endangered. But we are not yet at that point. An increasingly difficult task, however, is to supply the new facilities and plants with manpower. Therefore, a more moderate and, mainly, conscious management of manpower is necessary because spontaneous manpower migrations usually do not take place in harmony with the needs of the enterprises. The decrease planned by the OKGT headquarters is 1.5 percent.

Productivity is declining doe to the projected decreases in production and employment in 1982.

However, the trust's equipment-efficiency index at current prices will improve, which has never happened before in OKGT's history. The explanation for this is that as the prices of hydrocarbons approach the levels of the world market price, this appreciates the OGKT's activity.

The trust's profit is expected to decrease more than its productivity. The increase in transient transportation, and increased profits in machinery manufacturing and other activities are unable to offset the decreases in profits caused by volume decreases, energy transportation costs, increases in taxes on wages, amortization and interest expenses.

Is the Profit Plan Pessimistic?

I trust that the results will be better than planned. At least, until now this has been characteristic of our economic operation. Profit planning is characterized by instinctive cautiousness. Perhaps our thinking is influenced more in general by the expected negatives than by the expected positives. It is also true that because of the several price changes during the year it is more and more difficult to review the way costs are developing. And during the course of economic operation some unexpected events may occur which can significantly influence the processes assumed at the time of planning. One must flexibly conform to events. This may means avoiding or decreasing some expected losses, but may also mean rapid exploitation of conditions turned favorable.

The volume of investments laying the foundations for the future, will be higher in 1982 than in 1981. There is only one major investment by the state in progress at the trust now, the Brotherhood 3 [pipeline]. Major investments of this program are the Leninvaros compressor station and the pipeline construction jobs ([for the sections of] Varosfold-Vecses, and Varosfold-Kiskundorozsma.) By year's end, all units of the investment will be ready for operational testing.

The mining program is a significant one among goal-oriented investments. Construction is continuing on the processing plants, pipelines and collection stations of the natural gas with low heating value of the central lowlands. The investment will be completed only in 1983, but gas transportation must begin by the end of this year. Among the enterprise's [own] investments, the most significant one is construction of the cracking plant now under way at the Danubian Petroleum Industry Enterprise.

Bank loans now represent 60 percent (!) of the financing resources of the enterprise's investments.

The trust's recently approved plan for 1982 was unquestionably well founded for the first half year, but we cannot expect the plan not to be modified at least once.

Because of the expected import situation we cannot expect increasing petroleum-processing volumes in the future. In spite of this, the OKGT's long-range economic operating situation is promising. The most important condition of increased profitability is increasing the degree of processing the petroleum, producing more, more valuable and higher priced products from a given quantity of raw materials. The catalytic cracking plant will begin operation in Szazhalombatta in 1984. This will make it possible to further process heating oil into white products. The present world market price of heating oil is $160-$165 and of white products $300-$320 per ton. Thus the value increase is almost twofold, and at the same time the byproduct of cracking, heavy heating oil, is not wasted either; we use it to generate energy. The Ministry of Industry and OKGT are now studying the possibilities of building a viscosity-decreasing facility to serve as another supplementary facility to the cracking plant.

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PROBLEMS, GOALS OF METALLURGICAL INDUSTRY VIEWED

Budapest FIGYELO in Hungarian 17 Feb 82 p 7

[Article by Istvan Soltesz, former minister of metallurgy and machine industry: "The Present and Future of Metallurgy"]

[Text] In the last 2 years, the world's ferrous metallurgy has fallen into a crisis. With the relaxation of demand by users, world steel production has also decreased from 747 million tons in 1979 to 710 million tons in 1981. The developed capitalist countries can utilize only 70 percent of their capacities; several large blast furnaces, roller works and other steel-producing facilities have been shut down. Because of rapidly rising energy prices (compared to 1970, by 1980 the world market price of energy sources increased about tenfold) the industrially developed countries have placed into operation modern, energy-saving technologies. Their efforts in this direction were justified since energy costs have risen as high as 30 to 35 percent of operating costs. The new technologies and production units made several fold increases possible in capacities and productivity, and rapid decreases in live-work utilization.

Swept Along by the Crisis

The economic downturn which occurred in the world's economy also affects Hungarian ferrous metallurgy. Domestic steel production is almost 4 million tons, hardly more than 0.5 percent of the world's steel production. There are difficulties in adjusting to the world market caused by increasing prices for raw materials and energy sources, while due to the oversupply rolled products can [only] be sold at decreasing prices; the technological level of most of our production equipment is lower than that in the developed industrial countries, but at the same time, due to the small order sizes of domestic demand, we cannot even take full advantage of the opportunities afforded by the existing equipment. (For example, the Lenin Metallurgical Works, the Ozd Metallurgical Plants and the Danubian Iron Works fill more than 50,000 order items per year with various sizes and qualities of rolled products).

Better fulfillment of domestic demands and fulfilling our coordinated merchandise exchange and trade obligations with the socialist countries continue in first place among the tasks. It is our important goal that metallurgy remain a net exporter in nonruble trade. This latter requirements was also fulfilled in 1981, but the effect of the decline of selling prices could be offset only in part by increased exports of more valuable products, improved foreign-trade work, and decreasing the cost of producing products.

The unfavorable sales opportunities made quick reaction necessary by the enterprises and by the Ministry of Industry. Producing facilities had to be shut down temporarily in such a way that the workers could continue to be employed.

A whole series of new kinds of tasks had to be solved in the areas of production organization, product sales, material and inventory management. In our opinion, we succeeded in warding off the effects of the crisis with a minimal decrease in production and without any significant conflicts. (No workers were laid off, no enterprises closed down.)

Plans for 1982

Last year the branch management thoroughly analyzed the situation, profitability and budgetary relationships of the ferrous metallurgical enterprises.

The balance of metallurgy's budgetary relationship was positive even in 1981. In the future we must have financial stability of enterprises and thus continue to improve ferrous metallurgy's budgetary relationship.

The opinions of the Ministry of Industry's leaders and of the managers of enterprises agree that manufacturing technology has not grown sufficiently, material and energy savings are not satisfactory, the change of production structure continues to be slow, the ratio of secondary and tertiary products is low, and--even if to a decreasing extent, nevertheless--problems are appearing in improving the quality of products.

Simultaneously with the enterprise plans, action plans are being prepared to improve the sales structure, increase material and energy savings, improve the export-import balance, etc., that is, to continuously solve the problems mentioned.

The 1982 plans of the enterprises specify a moderate growth of 2 to 3 percent on the average, adjusting to the requirements. Domestic consumption and the obligations of socialist international contracts will slightly decrease, while there is a prospect of ab out a 10 percent growth in sales to the capitalist market.

The moderate growth rate of production makes it much more necessary to fill domestic needs in sizeable quantities, and in magnitude as well as in quality. Buyers today expect even more than before that orders be accepted quickly, shipments be made on time, size and quality specifications be observed, and if the manufacturing enterprise fails to satisfy these, they exercise their right to complain.

Metallurgy is often justly criticized because the selection of quality steels is not satisfactory, and not enough attention is paid to delivering small quantities. Steel must be produced in the qualities which the processing industry orders. Expanding the family of steel qualities with an increased modulus of elasticity, or broadening the domestic production of high-tension weldable steels for reinforced concrete can be mentioned as examples. Our enterprises are also planning to introduce additional rolled goods sizes and profiles, and to increase their ratios.

There are several development plans to introduce material-and energy-saving technologies in 1982. A total of about 4 billion forints is earmarked to modernize the Borsodi Ore Preparation Works, reconstruct the air preheating equipment at the Ozd Metallurgical Works, and improve the slag remover at the Danubian Iron Works during the Sixth Five-Year Plan.

The converter steel production plants at the Danubian Iron Works and at the Lenin Metallurgical Works, and the introduction of an electrical furnace and kettle metallurgy at this latter, represent quantitative changes in the standards of domestic steel production. We can produce about 40 percent of our steel by state-of-the-art technology in such a way that the selection of quality of the steels produced can significantly increase.

Increasing the production of continuous smelters serves the implementation of material-saving and quality viewpoints. More than 40 percent of our steel production is processed in such modern crystallization equipment, and significantly more economically than in the past.

More consideration must be given in the future to opportunities of cooperation with the socialist countries. We must seek out the new formats which serve increased utilization of domestic metallurgy's technological equipment. Entering into contracts with the socialist countries which, in addition to the exchange of products, would also promote increased specialization, may be mutually advantageous.

Future Prospects

This year's task is to develop the concept for ferrous metallurgy to the year 2000. This requires gathering and evaluating many types of information, and first of all good cooperation between the enterprises and the national organs.

The quality of iron ores used at this time does not satisfy the requirements of economical metallurgy: their iron content is low and their silicic acid content is high. In the de[illegible] industrial countries, about 300 kg of slag is formed in the productio[illegible]n of raw iron, while we produce about 1,500 kg, which counts as a "worl[illegible]." This provides the decisive explanation of why we are forced to use about 200 kg more coke than the international average to produce 1 ton of raw iron. Our most important task is to improve ore quality and decrease energy consumption in metallurgy.

The raw iron, steel and rolled-product production capacities of metallurgical equipment built in recent years and to be started up in the near future exceed current and projected needs. Thus the branch management is not planning on future production expansion developments in these phases of production.

The share of secondary and tertiary products and products of appropriate quality is relatively low in our finished products. The quality levels of our castings and wrought products, and the condition of the technological equipment call attention to several modernizations awaiting implementation. First of all, to implement those which will modernize manufacturing technology, improve conditions at the place of work and the quality and profitability of products.

In the development, an advantage must be assured for the production of higher value product types which can be sold profitably on markets. For example, by 1990 the ratio of secondary and tertiary products (this category makes up a large portion of high value products) must increase to 39 percent from the present 25 percent.

In the long-range concept, a direction of growth must be shaped which will significantly decrease our backwardness compared to the international standards by the turn of the millenium. The situation whereby at the present time 9 large blast furnaces produce about 2.3 million tons of pig iron, and more than 23 steel-producing facilities located at three large metallurgical enterprises are used to produce 4 million tons of steel, and further, that the production of 3 million tons of rolled products takes place on 18 roller lines, urgently indicate our tasks to rationalize production both in the metallurgical and the shaping phases.

The economic and technological significance of ferrous metallurgy cannot be measured by the percentage participation of our fixed assets, or of their production. Without advanced metallurgy, the branches of the national economy which process and consume metallurgical products (machinery manufacture, the construction industry, transportation, mining, agriculture, etc.) cannot advance in such a way as to stand their ground in international competition.

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ALTERNATE PROPOSALS FOR ECONOMIC REFORM PRESENTED

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 14 Feb 82 p 3

[Interview with docent Kazimierz Ryc by Karol Szwarc; date and place not given]

[Text] [Question] Karol Szwarc: The level of consumption has been falling since 1976. In the last two years it has even fallen catastrophically. So I ask you, an economist, who for many years has concerned himself with the problems of consumption and economic development: what can be done about this?

[Answer] Kazimierz Ryc: Those of us who are older remember that in our postwar history there have been several periods in which there was either a drop in consumption or it was markedly halted.

[Question] But these events were never as serious as they are now.

[Answer] I would not say that. For example, in the early stages of the 6-year plan this drop was also very acute, particularly since it occurred immediately after the rapid increase in consumption in the 1940's.

[Question] Were the causes of these breakdowns always the same?

[Answer] I believe not. Statistically, the causative factor was always the incomparably low, in relation to the production potential, efficiency of utilization of production factors.

[Question] If we assume that this characteristic is constant, then how do we explain that at one moment consumption dropped and at another it again rose?

[Answer] Industrialization always began with the formulation of an active plan, which envisaged that development of the economy would lead to an improvement in the standard of living. However, the actual processes deviated from these assumptions. First investments grew, then employment, and even production of many industrial goods, steel, cement, coal, etc. But at the same time, strains appeared in the market and there was a shortage of goods in the shops. It can be said, therefore, that the whole production apparatus did not respect the need for a growth in consumption. And at that time, political factors usually entered the arena, which reversed these processes.

[Question] Why did it happen that the natural course of events in the economy led to a loss of interest in the improvement of consumption and a political factor had to opt to reverse these tendencies?

[Answer] The beginnings of the active plan were usually quite promising. Social goals and structural tasks were established, which were to be implemented by means of investments.

And then the game, played by the enterprises, branches and ministries, to obtain these investment means began. Conflicts of interest appeared. Investments were underestimated. The difficulties were minimized and the benefits highly touted. After a certain phase of investment implementation, it appeared that more funds had to be added, and so the investments were additionally financed. At the same time, it became apparent that the closing of certain production cycles required that new investments be made. And so outlays grew, and the field of investment expanded. This caused an increasingly lower efficiency of utilization of production factors. Vehicles rode "in a search for" materials all over Poland, burning excessive amounts of fuel and rubber. Overtime hours, etc., also increased.

And then was the time for intervention--investment processes should have been cut off. But ordinarily it happened otherwise, which was particularly evident in the 1970's. An attempt was made to tie the expanded investment program into one whole, counting on the fact that the desired structure and size of production will be achieved, and thus the standard of living will be improved. The so-called investment harvest was looked to. And in the meanwhile, incomes grew, strongly stimulated by investments. These incomes did not encounter a stream of goods, and social strains began.

These strains aroused political reflections: this cannot continue. And then the investment program was cut off, since otherwise this would threaten a serious decline in current consumption. At the same time, a part of the funds were shifted so as to better respect social consumption.

[Question] Characteristically, when you describe this mechanism, you do not mention agriculture.

[Answer] It is true that the signal that consumption is breaking down is, as a rule, poor crops, and frequently also a tangle of unfavorable phenomena in foreign trade. However, I would regard agriculture as a certain additional factor which is responsible for the fact that these main factors--low management efficiency and excessive inclinations to investments--reveal themselves with full force. Because if we had a highly productive non-agricultural economy, we would be prepared for crop failures. Ultimately, crop failures are predictable over the long term, within a certain number of average crops and crop failures. It appears, however, that because of low efficiency in the remaining sectors, we cannot fill the gap that arises during a period of poor crops.

[Question] Are not the causes for these breakdowns to be found in the mechanisms of the operation of the economy?

[Answer] We know this: the economic and financial system was directed mainly at increasing the producers' manufacturing resources, but it was not aimed at services for final production.

[Question] What conclusions can we draw for the present and future from what we have already said?

[Answer] We must generally give the entire mechanism of operation a pro-consumption orientation.

[Question] What does this mean?

[Answer] It is equivalent with a systems-type operation in support of obtaining a predominance of producers of final goods over producers of intermediate goods.

[Question] These are long-range processes, i.e., connected with reform. I believe that we will return to these questions later. But let us first attempt to determine how to intervene.

[Answer] Until now, as I already said, the decline in consumption was counteracted mainly by investment cuts, which was equivalent to eliminating some of the less effective applications of production factors. Anyone who has had even the slightest contact with economy knows that the reason investments are least effective is that they are the outlays which produce results only after a certain time has passed.

That is what was done in all breakdowns up to now. This method was also attempted in the mid-1970's in the form of the so-called economic maneuver. But this was not done consistently because the strains were not noticed, or an attempt was made not to notice them. A drug operated here in the form of imports on credits, which eased the situation. It effectively lowered the economic fever but did not remove the cause. And not until this drug ceased to be administered did the crisis become apparent and intensify. As a result there was a steep drop in consumption.

[Question] Most alarming is the fact that this drop is continuing. Do you see an end to it?

[Answer] The reduction of investments itself, which is being done too slowly and inconsistently, will not be enough. We will have to stop using part of the production assets and human labor, so as to make it possible to concentrate foreign-exchange, raw and other materials, and also employment, on those fields of production that produce for the domestic market or for export. And just as in the case of investment cuts, so, too, in excluding less effective assets, we must act quickly and consistently.

[Question] Do you not believe that these processes may begin by the implementation of the so-called operational programs?

[Answer] This certainly is a method. But there is a hitch here.

[Question] What do you have in mind?

[Answer] How to direct this efficiently. Priorities in the distribution of scarce raw and other materials will apply to only a portion of the components that are indispensable for the performance of tasks contained in these programs. The problem of the gasket, therefore, will not disappear.

[Question] Then what do you propose?

[Answer] In my opinion, the most ideal solution would be an allocation of financial means, including foreign-exchange. This need not necessarily be, as in November of last year I proposed in ZYCIE GOSPODARCZE, by means of introducing another kind of money. This can also be achieved less drastically, but certainly with the help of monetary instruments.

But this is still another issue, which has been emphasized more than once. There is a danger that the programs will expand. Each producer will try to "tie in" to them, which will not always bring about the socially desired results.

[Question] Indeed, this is a real threat. But from the tone of your reply I read that this does not worry you the most, but something else. Do I guess correctly that you see in these programs some very serious defect?

[Answer] I am not a practician. And I may be wrong. Theoretically, however, I would opt for another solution. Instead of operational programs, I would suggest the establishment of specific measures, within the framework of which goals and the means to achieve these goals would be specified. For example, in these goals I would include food production, production of articles that are socially indispensable, such as medicines, or housing, and finally, production of incentive-type goods, i.e., so-called luxury goods.

[Question] What is the difference?

[Answer] The difference is very great. The devil is hidden in the details. In the operational programs, which, I admit, were constructed with social needs in mind, results of implementation of the programs will not be calculable, insofar as balancing the economy is concerned. The methods that I suggest will make it possible to calculate results.

If, for example, we refer to food, then, even after the price increases of several days ago, outlays for food production will be higher than the receipts obtained from sales. Looking from the standpoint of total balance, therefore, in this field the inflationary stream will probably overbalance the deflationary stream. It is the same with production of socially indispensable products. Only in the case of so-called luxury goods can the deflationary stream predominate over the inflationary stream.

Reduction of investments is also such a measure, operating in a deflationary way because accumulation has not been distributed.

Other measures are moves in the monetary sphere. This pertains primarily to all kinds of prepayments or effects on growth of personal savings, or even enterprises, employing an incentive-type system of interest-bearing deposits, and revalorization of deposits, to compensate for the decline in the value of the zloty. Here, also, is an opportunity to obtain a deflationary stream.

I believe that after these deflationary and inflationary streams in the existing economic situation are summed up, we would not come out with a zero balance. That is why the price operation was so essential in order to effectively halt inflation.

[Question] That is, following your line of reasoning, the present price increases, so very shocking, will be effective from the standpoint of overall balance?

[Answer] I am afraid that with the operational programs it will not be possible to make the same calculation as to the degree of balance of the deflationary and inflationary streams. I believe, therefore, that the prices were increased somewhat blindly. And if we combine this with the systems-type solutions, which give the enterprises greater freedom to set prices, then I do not rule out the paradoxical situation in which production may fall and prices fall.

I realize that every one of the operational programs can be defended from the social standpoint. But from the standpoint of economic policy, which would lead to a balance, it would be necessary to not only clearly specify to what extent those enterprises commit material means and that kind of material results are produced, but also to calculate which deflationary and inflationary streams are released.

And then perhaps we would rid ourselves of the demagoguery that we must produce only that which is indispensable to survival. Obviously, such a situation could occur, but let us not be surprised then that our real incomes will be increasingly lower.

[Question] We dealt in the 1970's with the suggestions that you propose for taking these types of measures. This is certainly nothing new. And the results are known.

[Answer] I agree that at first glance these may look like moth-eaten arguments. But there are three important differences.

These programs were not in the nature of measures, i.e., with definite time limits and within a set group of tasks and means. Furthermore, they were implemented in an economic structure which was not adapted to them. Poland was a federation of ministries. And a further difference lay in the fact that the money side of these programs was not calculated. Strictly speaking, only the justified programs were formulated, i.e., those pertaining to issues that had the highest social priority. And it is with their implementation that the predominance of deflationary streams occurs.

That is why I believe that if I want to build houses, I must also produce automobiles, in order to balance the inflationary stream with the deflationary stream.

Or to put it otherwise, we must look at the economy not only from the standpoint of social goals, but also from the business standpoint. If I put money out for something, then I must earn money on something. If I do not pay attention to this, than to whom do I have to turn?

[Question] The issuance bank.

[Answer] Exactly.

[Question] Will reform favor stabilization?

[Answer] Directional solutions within the framework of reform are aimed at the domination of a pro-consumption orientation.

[Question] Does this make it necessary to make fundamental changes in the economic character of the functioning of the state?

[Answer] I believe that fundamental transformations are necessary. The economic system, if it is to be capable of balancing, must be tri-organizational: state, enterprise, household. These organizational units should be independent.

The state would concern itself with the sphere that would guarantee social balance. I refer here to an effect on steady, continuous development and assurance of full employment. Thus the state, through a capital policy, would remove developmental barriers and take care of public finances, or, in consequence, the balancing of the economy.

The enterprise would concern itself with production and sales, and the household, with consumption and work incentive.

As a matter of fact, there could even be three equations.

[Question] What kind?

[Answer] Thus far the economy textbooks have written about bi-organizational systems, which was expressed in two equations: investments equal savings, consumption equals wages.

The bi-organizational system--enterprise, household--cannot be balanced. This system has the same characteristic when the enterprise, as if identifying itself with the state, becomes a state department. It obviously cannot be a part of the state, for it is difficult to manage something so huge. Thus a pseudo-independence is created for the enterprises. It leads to the mechanism we spoke of earlier: the enterprise demands the most funds, but wants to produce the least.

[Question] But what are these three equations?

[Answer] Balance in the tri-organizational system is possible if the three equations that follow are present: investments equal savings by the state, enterprises and citizens; state expenditures for public purposes equal taxes minus savings; and consumption equals wages minus savings.

[Question] What is a state?

[Answer] In speaking of a state, we must separate the state from the government. The state, and I would not want a lawyer to read this, is a set of permanent regulations by which society is controlled. These are the constitution, the law on an enterprise, the law on the Council of Ministers, the law on a self-government, on planning, etc. But the state is also the government which, within the framework of these regulations, to which society has consented, conducts its activities.

And here I repeat my slogan: constancy of regulations, variability of parameters. Constancy of regulations is the "social agreement" that is observed. But the government also has the right to impose taxes, grant relief, make concessions, etc.

[Question] But you advocate that the connections among these three organizational units be of a financial nature?

[Answer] Of course. But I cannot say that this should only be with the help of money. I would then be a utopian. At present we do not have either good money or bad That is why so much weight is attached to the material streams.

[Question] Can reform succeed under those conditions?

[Answer] Economists are constantly repeating, and it is true, that reform has been begun under very unfavorable economic circumstances. But I believe that it can bring results, but two necessary conditions must be met. First of all, the growth of inflation must be firmly suppressed. At the same time we should concern ourselves with balancing the state budget.

[Question] If we are not able to halt inflation, we will not be able to direct the enterprises toward a reduction in costs. However, they will try, by means of price-fixing, to cover all inefficient outlays.

[Answer] This is true. And that is why, although I continue to be alone in my views, I would greatly favor monetary factors, i.e., restoration of the value of the zloty or the introduction of another currency.

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ROLE OF PRICES IN RESOURCE ECONOMIZING CONSIDERED

Bucharest REVISTA ECONOMICA in Romanian No 8 26 Feb 82 pp 7-8, 10

[Article by Ioan Predoi and Marin Popescu of the Institute of Finance, Monetary Circulation and Prices: "The Intensification of the Use of Price Factors in Actions to Economize Material Resources"]

[Text] The economizing if raw materials, materials, fuels and energy constitutes a problem of the first order and an action of broad scope imposed by the requirements of the current stage of creating a multilaterally developed socialist society and by the needs to achieve the objectives of the 1981-1985 five year plan and by the continuing growth of economic efficiency. As stressed by the secretary general of the party, comrade Nicolae Ceausescu, at the joint working session of the RCP Central Committee and the Supreme Council of Economic and Social Development, "in this regard we must place special stress on the better use of raw materials and materials, on the continuing reduction of material consumption and production costs and on the reduction of energy consumption, working fully decisively for the proper administration of the resources we have available and doing everything in order to introduce modern technologies into all fields that will rapidly lead to the reduction of energy and fuel consumption and material consumption in general."

The solution of the energy problem and the raw materials problem requires, in addition to the modernization of production, improved organization and technologies and the more intensive use of value factors, in the framework of which production prices play a significant role.

The measures adopted in the last 2 years and the updating and improvement of the correlation, based on economic principles, of production prices and the prices to deliver goods to the socialist units, as well as the prices for production, contracting and acquisition in agriculture, are capable of strengthening the role of the price system in the achievement of the party's economic policy and in the stimulation of the units in the direction of the efficient use of funds entrusted to them to be administered, the optimum operation of the new economic-financial mechanism and the growth of all the people's standard of living.

The updating of production prices represents an important step forward in moving to a new quality in the economy, with this calling for the complete fulfillment of the physical production plan, the firm orientation in the direction of modernizing technologies and production, the better use of natural resources, the improvement of economic efficiency and so forth. In order to achieve these requirements under the conditions of applying the new production and delivery prices, it is necessary to have decisive measures for the more accentuated reduction of production costs and, first of all, of material costs.

In this action of using material resources with maximum efficiency, a significant role is played by the intensification of the use of price factors, with the fact being known that prices exercise a stimulating influence upon economizing social labor.

As is known, prices represent an essential facet of the management and planning mechanism, created on scientific bases, in the process of economic and social development. Through these prices, measurements of the values created in the economy take place. On this basis, they constitute a stimulating factor for the development and modernization of production and the economizing of social labor. Under the conditions of the spread of the new economic-financial mechanism, self-administration and self-financing, prices must reflect the changes in social costs for production as determined by technical progress, by improvements to production technologies, by improvements to the organization of production and labor and by changes in the world context, especially the increases in the prices for basic raw materials and energy resources. Only through thoroughly substantiated prices based on economic criteria that will reflect the changes over time in social production costs and the other factors that determine prices and through the most correct possible expression of material and labor costs in the production of a certain product will the enterprises be ever more stimulated to increase production, to increase their necessary financial resources through their own activities and to increase profitability.

In this context, production prices must contribute more activity, on one hand, to the measurement of the efforts and effects of actions undertaken in the direction of economizing and better using material resources and of introducing new things into production and, on the other hand, to the initiating of certain broad and efficient measures in this action of great national interest.

Incentives for the Producers Through Prices

The role and function of prices in the socialist economy have constituted and constitute an important area for discussion in the specialized literature, with the majority of the authors stressing aspects and outlining solutions regarding the stimulative facet of this value factor.

Under the conditions of spreading the new economic-financial mechanism and the need for adapting production to the restrictions stemming from the energy and raw materials crises, the growth in the percentage of intensive factors requires a reconsideration of the means of dealing with the role of the cost categories and the actions of these categories in accordance with the requirements for economizing raw materials, materials, fuels and energy. In our opinion, it is necessary to have a more encompassing approach to the aspects of stimulating the economizing of material resources and, in general, technical progress, placing a greater stress on the most judicious combining of prices as stimulative factors with the other factors of the economic-financial mechanism.

In this view, showing the role of prices in increasing the economic units' contribution to obtaining a continually increasing newly-created value per a given level of material, energy and labor consumption requires dealing with aspects linked to the stimulative or restrictive nature that production prices can have. Exercising this role of prices should not be understood merely as changes in the level of production prices, with a special importance being played in this direction by improvements to the process of creating prices.

Thus, if we refer to the restrictive nature and regulatory nature of prices, this can be ensured through reflecting, in the changes in the level of new or modernized production costs, those elements linked to the real costs of assimilating and producing these products - justified from an economic point of view, through not including certain elements of net income that distort the content of the prices and through adding to the costs the average rate of net income for this group of products, substantiated according to the requirements of the process of expanded production. The creation of production prices on such a basis must constitute the main reference element in substantiating decisions regarding the start of production on new products and the establishment of an efficient structure for exports. In other words, the restrictive nature of prices is ensured by adhering, during the process of creating these prices, to the measurement function of socially necessary labor costs as a requirement of the law of costs.

The substantiation of costs and prices through adherence to real (standardized) material and energy consumption levels constitutes an essential criterion in evaluating the degree in which the new products respond to the current requirements of economizing raw material resources. Under conditions in which, after a critical analysis of the production costs of new products, as a basis for creating prices, it is found that these prices do not lead to a better use of materials, it is more rational from an economic point of view to reanalyze the technical solutions, and especially the technological procedures, for the purpose of optimizing the relationship between consumption levels and technical-operational performance.

In the action of establishing prices, the restrictive nature of prices makes it necessary to also take into consideration the socially necessary costs for acquiring the natural resources used. On this basis, the price can serve as a more efficient instrument for stimulating the reduction of material costs and for measuring the efficiency of production since the cost, as determined in this manner, more fully expresses the effort society has made to provide the material resources needed to obtain the products in the final processing branches of the economy. This desire is also brought about by the requirements of the operation of the new economic-financial mechanism and by adherence to the principles of self-financing. In our opinion, the evaluation of the natural resources is diminished both because of the fact that the volume of expenditures needed to discover certain new reserves of natural resources are not completely reflected in costs and prices and because of the maintenance of too large a gap between the rate of net income contained in the prices of natural resources and the rate in the final processing branches. This does not permit obtaining the material resources needed in the production process, a fact which does not stimulate to a sufficient degree those units using such resources into economizing raw materials and materials, and especially those scarce materials.

The substantiation of costs and the rates of net income in the material and energy resource production branches in full agreement with the requirements for expanded production under the conditions of the contemporary technical-scientific revolution will create the premises needed to more comprehensively reflect social labor costs in the primary branches of the economy. This will cause the economic units in the finishing branches to be more interested in administering raw materials and materials and in using existing reserves. The use of such prices will also permit the optimum use of the proportions and rates of development in the primary branches and intermediary branches and of evaluating their contributions to the creation of national income.

As a form of expression of the workings of the law of costs, prices must also be carried out concomitantly with respect for the function of measuring the created values and the function of stimulating the economizing of social labor, Furthermore, there is a dialectical unity between the restrictive and stimulative nature of prices brought about by the workings of the law of costs as an economic law specific to the production of goods.

In our opinion, the stimulative nature of prices in the actions to economize material resources also requires in both situations, in addition to the creation and establishment of prices on the basis of costs, taking into consideration a level of net income differentiated according to the degree of use of natural resources. Thus, in situations where the enterprises succeed in using and starting production on products having high technical-economic performance in relationship to their material costs, it is justified from an economic point of view to consistently have higher rates of net income (above the average of the group to which these products belong). The increase in the net income given and included in the production price of new production comodities must be proportioned so as not to lead to an increase in the level of price per unit of utility value (useful result), compared to reference products.

In evaluating the degree in which the economic units succeed in better using raw material resources, an important role is played by the drawing up of a system of analytical indicators whose dynamics will reflect the contributions of the enterprises in the better use of economic resources and especially material resources. At a given level of prices for the products produced in a certain economic unit, based on the real production costs and by including a level of net income, a reference element in the creation of such indicators could be played by the mass of net income made by the enterprise during a certain period of time. The selection of this element as a comparative basis is justified for at least two reasons: 1) net income represents a synthetic indicator of the results of overall production activities and the size of these activities, at a given level of prices and being the result of the combined actions of the factors of material production; 2) it offers the possibility of reflecting the contribution of the different factors in increasing the efficiency of social labor at the level of the economic unit.

Such a system of analytical indicators that will characterize in a complex manner and reflect the efforts of the economic units to increase the level of using material resources can be created, in our opinion, from the following components: the relationship between the size of the raw materials and materials costs and the size of the net income; the relationship between the size of fuel and energy costs and the size of the net income. There can be a descending, ascending or constant evolution in the dynamics of these relationships. In the case where the evolution of these indicators is downward, there is an increase in the efficiency of using material resources, a fact that will be reflected in an increase in the size of the income as a result of increasing the volume of physical production (as a result of attaining certain utility values that are greater while using the same amounts of raw materials. These raw materials are put to better use by raising the coefficient of use and by reducing the weight of the products). On the other hand, a constant evolution, and especially a upward turn, in these indicators reflect a lower level of efficiency in using raw materials and materials, which requires the substantiation of certain technical-economic measures in this direction.

The Costs-Parameters Relationship in a Broader View

The achievement of the requirements regarding the practical use of certain production prices that will stimulate the producers to economize materials and, in general, to extend modern technologies into all branches of the economy requires having to a greater degree an agreement between the level of prices, the social production costs and the technical-operational parameters of new products. The measurement of its utility value and the degree to which this product responds to the consumer's requirements and, especially, the quantification and expression of the evolution of this over time constitute difficulties raised by taking the utility value into consideration in establishing new production prices.

The practical activity along the lines of quantifying the utility value lies in dealing with and measuring the utility qualities through technical-operational parameters. Economic practice in the field of prices in our country and in other socialist countries demonstrates an increased concern for taking utility value into consideration in the creation and setting of prices. As is known, in establishing and correlating production and delivery prices, both for production resources and consumer goods, we keep in mind the relationships between the products' utility values, expressed in technical and operational characteristics, durability, esthetics, comfort and so forth.

Getting the producers interested in the assimilation of certain products using smaller amounts of materials and energy requires taking the utility value into greater consideration in the establishment and correlation of prices. And, in this regard, we encounter a series of difficulties linked to the great diversity of products and to the multitude of utility values belonging to the products, as well as to the difficulties in expressing technical-operational parameters that are representative with a single synthetic indicator. Similarly, the method of correlation requires the comparative analysis of the new product's parameters with those of the product considered to be the standard. In many cases (especially in the light industry), this analysis is made difficult by the fact that there is no list for the most representative parameters and no hierarchical ordering of these parameters, a fact which causes certain shortcomings in the measurement of the influence of technical modifications upon costs and, especially, upon the volume of costs for raw materials, materials, fuels and energy.

All this implies the need for certain increased efforts to achieve a thorough technical-economic analysis of the new product compared to the old one (the one replaced) for the purpose of establishing a price in accordance with the technical-economic parameters of the products. This wish makes it necessary, right from the design phase, to establish a listing of parameters that fully characterize the technical level of the product while the costs-parameters relationship must be interpreted in a broader view, in the sense of more consistently pursuing the manner in which the producer uses material resources and the relationship that exists between the volume of the different categories of material costs and the growth of technical-operational parameters.

The costs-parameters relationship must also be understood in the sense of covering the eventual increase in costs and the rate of increase in the utility value of new products. In other words, at the moment when new products appear it is necessary to keep in mind that the additional useful result obtained by the consumer will be greater or, only in some cases, at least equal to the additional costs involved in the production of these new products. This relationship, however, also brings about the analysis of the products in the light of their newness in the economy from the point of view of their characteristics in operation, the degree of safety in operation, their use and maintenance costs and so forth. Finally, this relationship must convince the decisionmakers of the opportunities for manufacturing these products.

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COMPLETION OF UNFINISHED PROJECTS IN INVESTMENT SECTOR

Bucharest ROMANIA LIBERA in Romanian 18 Feb 82 pp 1, 5

[Article by Cornelia Preda]

[Text] In world economy, the level of investment projects is regarded as the most conclusive prosperity or recession symptom. While in the developed capitalist countries there is not only a decline in investment projects but also a negative impact from the crisis on existing production facilities, with one of the major effects being the tremendous rise in the number of unemployed that number in millions, in Romania there is a year-by-year increase in the number of newly created jobs. This is mainly due to the investment funds appropriated.

In an overall survey of the results of the Romanian economy, Nicolae Ceausescu, in his speech at the meeting with the party and state active of Brasov County, stated: "The increases in 1981 are smaller than those under the prior five-year plan. However, considering that in many countries not only there is not an increase in production but, on the contrary, there is a decline in the development of material production, we regard these increases as satisfactory and firmly believe that as a result of the measures taken we will ensure conditions for the implementation of the decisions of the 12th Congress on development, under this five-year plan, of our economy, of industry, of agriculture, of all sectors of activity." As follows from the recent report issued on the fulfillment of the uniform national plan for socioeconomic development, the total volume of investments in the national economy, completed in 1981, is 208.5 billion lei. The level of investments planned for 1982 for the overall economy is 236.3 billion lei.

The level of last year's implementation of the investment plan is only 93.3% of the planned volume. Hence, we may say that the effort to complete investment projects has remained below the level of our economy's financial potentialities. This situation equally reflects the effects of the world crisis and a number of shortcomings in preparation of investment projects and in the organization and unfolding of construction site activities. As is known, these shortcomings were closely analyzed at joint sessions of the Central Committee of the Romanian Communist Party and of the Supreme Council on Economic and Social Development. A major issue involved timely and proper provision of the required equipment. For instance, if we examine the makeup of investment projects completed in the Romanian economy, we note that the volume of equipment in the overall context went up continuously, growing from 43.9% in 1976 to 49.3% in 1980. This change results from the use of a new concept in completing investment projects, which gives precedence to equipment on which the level and quality of production hinge. However, there was not a similar progress in the area of ensuring equipment from domestic output, which, throughout this period, decreased from 82.2% in 1976 to 77.9% in 1980. As Nicolae Ceausescu emphasized recently, Romanian industry has reached a very high development level. Its provision in terms of equipment predominantly results from the 1971-1975 and 1976-1980 five-year plans, with the latter showing an investment volume which is double that for the former. To further resort to imports of equipment when it can be turned out at home is a damaging approach, which stems from some experts' kowtowing to foreign brands, from their lack of confidence in the creativity of our people. This could cost the nation billions of lei. That is why the party and state leadership deemed it necessary to firmly cut down imports, a situation which has created some difficulties -- in the units and sectors, of course, where the management bodies have not understood that they must resolutely go down to solving the problems posed. But, as shown, deliberately, this decision was preferred, for the purpose of settling these very important problems and assure the enhancement of responsibility, of trust in the Romanian workers' and technicians' own forces.

The courageous effort to overcome the adverse situation reached encompasses, must encompass, the elementary calculus that in the context of the world crisis, to complete now an investment project costs less than it will cost tomorrow, hence the chance for profit is greater now than tomorrow. For these reasons of efficiency and for the profound, essential reason of the need for continuous development, the Romanian economy invests for 1982 5% more than the level planned for the previous year. This is done in the context of Romania's outstanding development in the area of investment projects as early as under the 1976-1980 Five-Year Plan. The dynamics of investment projects completed in the economy is suggestively tied in with the following figures: the volume of investments in 1980 is 151% greater than that for 1975 and 33 times as great as in 1950.

Specifically, what is the aim of investment projects planned for 1982? The assignment is characterized by realistic spirit which takes into consideration some lags in the economy and in the investment sector especially, and the need for effective adaptation to current requirements of development. About 95% of the funds appropriated are destined for continuation of construction work, commenced in previous years, provision of machines and installations for the areas available, increase in production at minimal costs, also for housing construction. As can be seen, new investment projects in the economy involve a low level; however, their input into the development of the economy is very great. For, the state plan not only does not simply extrapolate the development trends outlined so far, but -- in line with the decisions of the 12th RCP Congress -- enhances the structural changes necessitated by the qualitative growth of the Romanian economy, at a level which must place us among mid-size countries in terms of development itself.

Most investment projects are in the stage of technological tests or reach this stage in the second part of the year. Hence, special emphasis must be placed this year on the unfolding of technological tests, on the on-schedule attainment of planned parameters, with major impact on achievement of the planned output for the overall economy. A survey of the status of investment projects under construction indicates that in addition to the positive results obtained, there still are difficulties that resulted not so much from objective conditions as from the mode of preparation and completion of investment projects. For instance, the expansion of the electric steel mill for stainless steels at the Galati Metallurgical Combine (a facility which involved replanning in June 1980) could not yet be completed and here is the reason: needed there are corrections on the electric valves delivered by the Bacau Mechanical Enterprise. Moreover, the user (the Ministry of the Metallurgical Industry) makes the transfer of the project contingent upon the completion of some extra works that are not incorporated in the documentation approved: the ability for automatic change in the position of the converter, adoption of a system of programmed control of the output of fluids blasted into this converter, because manual handling does not ensure adequate functionality. The problems raised are being analyzed by the designer unit, Bucharest IPROMET [Design Institute for Metallurgical Plants and Installations]. Even if justified, necessitated by the needs involved in greater economic efficiency, the demands of the direct user, the Metallurgical Combine, could have been and should have been specified as early as in the stage of formulation of the designing topic, or, at any rate, the user should not have waited until the completion time. Likewise, preliminary inspection for switching to technological tests was denied at the Tulcea Metallurgical Combine by the user. The reason is that, while the unit which put up the facilities at the Ferroalloy Plant (stage III) considers the project as completed, the user indicates that assembly was not finished for a traveling bridge or the water treatment facility involved in the new investment project. Evidently, the construction unit minimizes the importance of these works, regarding them as secondary ones and the user unit is right in not accepting such an approach to handling the projects under contract. But in this dispute an output of almost 32 million lei was lost. Even though some new facilities at the Calarasi Metallurgical Combine have entered the stage of technological tests, they produce more loss than profit because the period approved for these tests has so far been exceeded by more than 4 months. A production was achieved of 24 million lei, at high costs, and the profits that were not achieved as a result of this delay stand at 135 million lei in the context of the chart established.

What results were obtained in completing new investment projects this year? The central coordinating bodies promptly monitored 160 priority facilities in terms of their importance. Plan exceedings were obtained principally at the Rosia-Jiu, Pesteana, and Jilt-Sud lignite pits, at the coking chemical plant and the No 2 thick sheet rolling mill of the Galati Metallurgical Combine, the narrow strip rolling mill at the Iasi Metallurgical Enterprise, the electrotechnical sheet sector at the Tirgoviste Combine for Special Steels, the expansion of the Borzesti Refinery and the Teleajen Petrochemical Complex, the expansion of the Brasov Tractorul Enterprise and the Pitesti Automobile Enterprise, the Craiova Enterprise for Tractors and Farming Machinery, the construction of the new Constanta Sud-Agigea sea harbor, and so forth. But for some projects there are low construction rates. These include the opening and putting into operation of the Comanesti lignite deposit, the converter steel mill No 3 at the Galati Metallurgical Combine, the expansion of the Arad and Slobozia chemical fertilizer combines, the Calafat, Zimnicea, Fundulea and Draganesti sugar plants, the Negresti-Oas factory for mining equipment. We must point out the unsatisfactory rate of units manufacturing equipment, and this because of the above-mentioned reasons, specifically those in the mining sector that are so important for the overall economy and for us, citizens. Suffice it to recall that on the rise in the coal output depend the production and consumption of electrical and thermal energy. Consequently, extra efforts are required, focused on the proper implementation of the investment plan. All the more so because the volume to be obtained is growing and is expected to be in the fourth quarter four times the level for the first quarter.

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ROMANIA

HEAD OF OVERSEAS CONSTRUCTION DISCUSSES PROBLEMS, PROJECTS

Bucharest ROMANIA LIBERA in Romanian 8 Feb 82 pp 1, 5

[Interview with Ion Stanescu, chief of the Department for Construction Abroad, by M. Radian: "Romanian Builders Honor Their Visiting Card"; date and place not specified]

[Text] [Question] How does the review of the department in 1981 look? What are the main achievements for 1981 both along production-economic lines and along financial-hard currency lines and for strengthening economic and political relations with other countries?

[Answer] In accordance with socialist Romania's ever more active participation in the world trade of material and spiritual values and with the intensification of foreign trade activities during this five year plan, at the initiative and under the direct guidance of comrade Nicolae Ceausescu the Department for Construction Abroad was organized. In other words, our department constitutes a clear reflection of the party leadership's constant concern for the promotion of a policy of broad cooperation between countries and of understanding, friendship and peace in the world. It is a clear truth of our times: as a direct result of the meetings of and the discussions conducted by comrade Nicolae Ceausescu with numerous chiefs of state and the agreements and understandings brought about at the highest levels, a framework was provided for a powerful stimulus for construction and assembly work abroad.

In this context, it was necessary to have a better coordination and the establishment of unified responsibilities for the entire national economy in order to achieve construction projects abroad through our units. Precisely these tasks belong to our department, which leads, coordinates and is responsible for the achievement, under efficient conditions, of industrial construction and assembly projects, housing construction projects and social-cultural and public building projects accomplished abroad by our own units, as well as the achievement of construction projects in the fields of: highway, rail, naval and air transportation, telecommunications, electrical energy, land improvement and water management, agro-zootechny, drilling, mining and geology - carried out abroad by the units of other ministries.

Second, the activity of organizing the department, created more than 5 months ago, has been practically completed. All the directorates and operational offices were staffed with well-trained professionals having a vast experience in the area of construction and foreign trade.

As a natural result of these concerns and the better coordination of projects completed abroad, since the creation of the department the activities of the Romanian builders have recorded real and significant progress from month to month, plan tasks were fulfilled on a regular basis and for the fourth quarter of last year the plan was even overfulfilled. Certainly, we regard these results as nothing more than a point of departure and as a starting point in the efforts concerning the continuing improvement of our activities. This is so because, without a doubt, we still have much to do in order to attain greater economic efficiency.

In speaking about all these concerns, we cannot lose sight of one of the main guidelines of our country's foreign policy and commercial activities: the broad support for industrialization given especially to the developing nations with which we are promoting modern forms of production cooperation, building over 130 economic and social projects. I am referring to, among others, the refineries at Zarqa (Jordan), Banyas (Syria) and Karachi (Pakistan), the dam on the K'Sab River (Algeria), the cement factories in North Korea, Iraq and Turkey, the thermo-electric power plants in Somalia and the Philippines, the wood processing plants at Bangui (the Central African Republic), Ondo (Nigeria) and Salawa (Sri Lanka) and the schools, hospitals, sports arenas and social and cultural buildings throughout Libya.

During a difficult period for the world economy, the development at such a high rate of socialist Romania's economic trade is without a doubt the result of the efforts made for socialist industrialization, an essential factor in increasing the country's economic, technological and scientific potential.

[Question] What more significant difficulties were overcome and what type of difficulties were not overcome?

[Answer] A statement: the Department for Construction Abroad is also conceived as a working organ, that is, an economic unit with a well-defined role and function: as a general contractor, a general supplier and a specialized contractor. What do I want to stress here? That in resolving the problems and difficulties facing us, we have the task of resolving them using our own forces without waiting for someone else to do it for us. By law, we are charged with all the rights and responsibilities in this regard.

Certainly, we have had some difficulties related to the supply of materials, getting construction equipment and manpower. We have worked decisively, however, to resolve them appropriately and the difficulties that were encountered were for the most part overcome. We also had problems with the better organization of projects and the use of our workforce with greater efficiency and with order and discipline at some worksites. I feel that these problems have now been overcome througnt the measures taken and the results obtained.

[Question] Therefore, we can speak of an important accumulation of experience...

[Answer] Without a doubt, last year's experience allowed us to draw a series of conclusions that became directions for action this year and for the entire five year plan. I am referring specifically to our efforts regarding the sustained growth of labor productivity at the worksites - an area where we still have much to do and where we are working with all our forces. In other words, we are doing this through the broad promotion of technical progress, of certain construction solutions and of modern and rapid construction technologies, through the better preparation and organization of work at each worksite and through the firm implementation of the overall agreement as a form of better organization and incentives for the workers.

Productivity, certainly, cannot be separated from the establishment of an exacting climate of order and discipline at work. Therefore, this is another direction of action that we permanently have in mind and that we are dealing with both through the more judicious organization of work and through the carrying out of a powerful ideological effort among the ranks of our workers. The purpose of this is to make each worker understand clearly the mission that has been given to him and the fact that wherever he goes he is actually the representative of our country and that his duty is to do everything for its prestige.

[Question] How do our worksites abroad measure up in a technical, technological and organizational sense? What can you tell us about the our workers' activities at these worksites?

[Answer] In Libya, where we have a great many workers, each acceptance of a new project is a festive moment. "Excellent" - this is the constant evaluation made by our partners there. I want to ask you: would it be possible to achieve projects of irreproachable quality if the technical, technological and organizational aspects at the worksites left something to be desired? I am convinced the answer is no. It is an undisputed fact that Romania has shown itself to be an appreciated partner in all the countries where it has cooperated. And, this is so because we have, first of all, the workers, foremen and engineers, or in one word, the builders of everywhere-recognized value. And, we also have the appropriate technical potential and the high technology construction machinery and equipment, nearly all of it of Romanian manufacture.

In this area, without a doubt we are capable of and responsible for doing more. For 1982, an encompassing and precise program was established for equipping our worksites with equipment, machinery and spare parts in order to completely meet the projects that have been contracted. We have taken decisive measures for a better organization of projects and our reputation requires us to do so. In short, our worksites are no less capable than the worksites of others.

[Question] What are the main directions and objectives of the department in 1982?

[Answer] The fundamental objective of our activities is the sustained growth of economic efficiency, concomitantly with the satisfaction of the highest requirements of the foreign customers. This is also the reason why the department is organized and operates on the basis of the principle of economic and financial-hard currency self-administration. The fundamental criterion which permanently governs our efforts is the fulfillment and overfulfillment of the hard currency receipts plan, the rigorous adherence to the start-up plan and the complete earning of the established profit. Profits that, in 1982, will increase nearly three times over compared to last year.

We have referred to the efforts linked to the better organization of work at the worksites, to the strengthening of order and discipline at work and to the decisive promotion of modern construction solutions and construction technologies. It is time to mention another priority concern of our specialists: the broad promotion of Romanian projects, designs, technologies, equipment, machinery and materials in the worksites abroad. I would like to stress that the complex projects that have been completed or are being built by Romanian in numerous countries in Europe, Africa, Asia and America - with "the key" having been turned over in many cases - confirm the special technical-scientific potential attained by our country.

[Question] What are the main problems that will be facing your department this year and what measures are being taken to prevent and resolve them?

[Answer] As is know, the department is not working alone. On the contrary, it could be said that a decisive factor for the fulfillment of our tasks under good conditions is the establishment of an active and permanent cooperation with all the ministries and enterprises that have tasks in this field. We should not forget the fact that in each contract that is concluded at each worksite the prestige of the national economy is involved. Therefore, we have two duties - professional and political - to do everything to reinforce this prestige - an essential premise for increasing competitiveness on the world market and expanding our area of activity.

Precisely to this end, we have established, together with those ministries that have subordinate units involved in construction and assembly abroad, some measures regarding the most rational organization of these enterprises and, furthermore, the supply of a technical-material base and the necessary number of workers.

Together with the Ministry of Industrial Construction and the Committee for the Problems of the People's Councils, clear programs were drawn up to fill out the ranks of workers, in those skills where we have shortages, while together with the Minisrty of Forestry Economy and Construction Materials plans were completed regarding the priority start-up of production of those materials requested by our customers.

Similarly, we have good cooperation with the two machine building industries for the purpose of on-time production of construction equipment, transport vehicles, materials, devices and spare parts in their production.

In this, the second year of the five year plan of quality and efficiency, I am expressing my full trust that the workers of the Department ofr Construction Abroad will also work with self-sacrifice and self-denial, with passion and decisiveness in order to fulfill their tasks, to honor the contracts that have been completed in exemplary conditions and to obtain a higher economic efficiency.

8724
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YUGOSLAV CONSTRUCTION WORK IN FOREIGN COUNTRIES

Problems of Regulation

Belgrade PRIVREDNI PREGLED in Serbo-Croation 16 Feb 82 p 4

[Article by Dragoslav Zivojnov: "Businessmen With a Trowel"]

> [Text] In preparing the draft law to carry out investment work abroad, the FED [Federal Executive Council] Federal Committee for Energy and Industry adhered to the provisions of the ZUR [Law on Associated Labor] that only collectives organized according to income principles can work abroad. The builders (apparently) prefer commercial contracts and a monopoly at foreign currency construction sites.

It is easier for our builders to erect a skyscraper than to build the provisions of the ZUR into their own document to carry out work abroad. This is the impression that we have received after taking with the creators of the draft law on carrying out investment work abroad in the FED's Federal Committee for Energy and Industry. They reportedly assert that the builders' main criticisms of the draft law on "foreign currency builders" are unfounded, because the builders mainly argue for the old relations, with commercial contracts and the monopolistic position obtained during the past three decades.

This, according to the proposers of the law from the Federal Committee for Energy and Industry, is the main reason why this document has not been adopted for a full four years now, although it should have been completely resolved a long time ago, in view of the ZUR and the volume of work and the funds that we are obtaining on the basis of the work abroad. Pending passage of the law, however, the Regulation on carrying out investment work abroad is being extended for the fourth time.

A Law "By the Kilo"

The FEC recently adopted a document of exceptional significance for the conduct of Yugoslav builders at foreign currency construction sites in the form of the draft, as a basis for coordination in the interrepublican committee; the law is expected to be coming before the Federal Assembly for adoption by the middle of the year.

The builders have asserted in numerous statements in the assembly of the General Association of Builders and the Construction Materials Industy, the Chamber of Serbia and Belgrade, and in construction organizations that the "federal administration" has drawn up a document that is more harmful than the present regulation. The new law will not only not help our builders to obtain work more effectively abroad and to compete on a more equal basis with their colleagues from France, Italy, the FRG, and other West European countries, but also will even cut the realistically feasible work in half. This year total earnings of $2.3 billion are expected from foreign currency construction sites, with the participation of more than 30,000 construction workers from Yugoslavia.

Illustrating the difficulties that may arise from the new law, Ilija Trajkovic, an experienced economic expert from the Belgrade firm Energoprojekt, recently told the Seriban Chamber that since the beginning of the action to draw up this document he had gathered a total of 9.7 kilograms of various written materials, but not one of the 26 criticisms by the representatives of associated labor to the 54 articles of the draft law had been adopted. It is even more difficult to understand the illogic of this if one is aware that according to the federal Resolution, construction is the only field in which economic activity is to decline this year at a rate of eight percent.

About 750,000 people employed in construction, the construction materials industry, and design organizations are also pointing with concern to the fact that employment in this branch of industry has declined by more than two percent, which is equal to the total number of people employed in the economy of one of our moderately developed municipalities. The sharp curtailment in investments is making this situation worse, and so the danger of the unemployment of bricklayers, steel benders, fitters, and other experts is even greater.

"Reaching Agreements Reduces the Advantage"

In support of their claim that the provisions of the draft law are disadvantageous, the builders point to article 15, which reads as follows: "Organizations of associated labor interested in carrying out investment work abroad, in one country or in a group of countries, can perform this work only if they have previously concluded a self-managing agreement on an organized approach abroad in the country or group of countries in question."

"This is unacceptable, because not all of the participants can form an alliance in this manner, in view of the large number of domestic and foreign partners," the construction organization representatives claim. "No one is against an agreement, an organized approach, and consultation, but this sort of definition makes it impossible for the contractors to operate. There are also shortcomings in article 37, which discusses the handling of foreign currency earned abroad, which has to be in accounts in Yugoslav banks (while according to article 106 of the law of foreign currency business it can also be in foreign banks). We are not being treated like other industries in exports, but rather like exporters of services."

Explaining the difficulties involved in self-managing agreement and consultation, the builders claim that because of increasingly greater competition abroad and the slowness with which decisions are made in our collectives, along with the well-known and long-lasting "red tape," we do not have much of a chance for foreign currency business, because while we are going through all of the formalities, the business is obtained by faster and more efficient contractors. According to them, it turns out that this obligation is more harmful than useful. The builders also add that of the total number of people employed, the designers, construction material producers, and other subcontractors come to less than a fifth of the workers. With contracts reached on an individual basis, their number and total effect is even less.

The Businessmen Are the Ones Hurt by the Criticisms

In the FED Federal Committee for Energy and Industry, the proposers explain some details from the draft law that they helped to create, and stress that the criticisms from the builders are bitter and the polemics are frequent because of the extremely unfavorable position that the builders are in.

The trouble is that three decades have passed since our experts began working abroad without the passage of a law, but it is illogical that this document has not even been adopted after four years. Business is in fact being contracted on the basis of the Regulation, but it is contrary to the ZUR and the principles of this document of ours, which is significantly better than similar ones elsewhere in the world in its humaneness and realism. The builders, however, are reluctant to abandon the positions they have achieved over the last three decades, which have particularly been consolidated in the last few years. This is business on the basis of commercial relations, seizing other people's income, and monopolistic behavior, which especially benefits the larger collectives.

The fact that illegal behavior by our builders working abroad has been tolerated for years can most often be explained by the general situation in which people have often overlooked this because of the foreign currency, in order to improve Yugoslavia's balance of payments situation.

The FED says that it is necessary to take an organized approach abroad, in order for everyone to enjoy the results of his work and for the foreign currency to be returned to Yugoslavia. The ZUR explicitly provides for this in the chapter that deals with foreign trade deals (articles 64-91). Article 71 provides for receiving income through a share in the jointly obtained income on the basis of self-managing agreement and consultation, and by no means on the basis of commercial contracts (as has for the most part been done in the past). If the builders seek larger incentives, these have to be systemic incentives only, and they can only be provided by a federal law or by an act in accordance with a law.

The builders emphasize that because of this regulation they cannot participate in bidding on an equal basis, and that they will lose business and suffer losses; this is partially correct. This, however, means that the builders have to organize themselves better; they have to be more efficient and more productive, not just at the construction sites but also in the acquisition of the documentation. According to this committee's draft law, confirmation by the SDK [expansion unknown] and a concluded contract are required, and the builders will have to wait at most about fifteen days for a decision. This is the shortest period for this type of documentation according to the law on administrative procedure. Builders, however, are often behaving like foreign trade organizations in regard to the other subcontractors.

Foreign Currency Day Laborers

If our country's commitment is to sell as much knowledge, equipment, and material as possible to the foreign partner, and as little manual labor as possible in order to obtain the most favorable profit, then the ZUR and this draft law are both resolutely opposed to the past practice. This practice shows that over half of the contracts recorded in our committee have been based on the sale of manual labor. The foreigner pays our bricklayer as a day laborer, and we do half of our work with the aid of a hammer, trowel, and winch. When we finish this work we can go home. More enterprising people, who in practice receive the foreign currency for equipment, designing, and similar business, take care of the rest.

Then our builders say, "But the foreigners have the ability to obtain financing (especially the underdeveloped countries); they have better equipment and other advantages."

Can't we also provide our construction workers with similar conditions? If our regulations require a profit from work done abroad, then it is logical to make realistic conditions for this possible, especially since we have outstanding design, construction and industrial personnel. It is necessary to use appropriate credits to make it possible for our builders to build an entire project for credit, supply equipment, and import all of the equipment that they use abroad on a special basis and pay customs only for the undepreciated part of the value.

According to the Federal Committee for Energy and Industy, in addition to builders the ZUR also applies to the entire Yugoslave economy involved in work abroad; this means that along with Rad, Energoprojekt, Autoput, and other builders, collectives such as Djuro Djakovic, Energoinvest, and other equipment suppliers must also have the same rights to foreign currency income. This law also ensures the same rights for construction materials producers, shippers, designers, and everyone who has a share in the construction and equipment of a project. And our builders are working in fifty countries on four continents. About five percent of the total number employed are earning more than 20 percent of the income in the branch, but the foreign currency income is greater than the total income of these workers.

The ZUR is facing a great test with respect to the builders. When the document comes before the Federal Assembly, we will see how far the builders will be successful in settling relations in a way that ensures a right to share in the jointly earned income for both the main contractors and the subcontractors. Until then, income sharing will continue to be interpreted through commercial contracts.

Experience

Of about 3,000 construction organizations in our country, with about 650,000 employees, last year more than 1,500 organizations informed the General Association for Construction and the Construction Materials Industry that they were doing business abroad. At the same time, 50 were involved in foreign currency construction sites in 42 countries on a regular basis, along with a hundred others from time to time.

During the bidding our builders most frequently encounter the same people, a small number of foreign construction organizations. Whether we speak of the French, Germans, or Italians, at most five or six organizations from other countries are working at foreign construction sites. These are naturally multinational companies and gigantic organizations in which all of the capital, knowledge and experience is concentrated. Nevertheless, we are frequently envied. We are envied for our political standing, which often makes it possible for us to obtain work even without bidding.

The rest has to be justified later--by our work.

Credits for Construction Work Abroad

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16 Feb 82 p 4

[Article by Stojan Zdravkovic: "Flimsy Credit Foundations"]

> [Text] If the builders share their income and in this manner create a broad financial base, the value of the work performed in 1982 may soon be expected to reach the amount planned for the end of this medium term period--close to $2.5 billion. Of the total amount of short-term dinar credits for exporting goods and services, the construction industry most often receives between 0.2 and 0.5 percent; with the exception of 1979, the construction industry has received from 4.4 to 1.2 percent of the short-term foreign currency credits.

In accordance with the conditions prevailing in the world market today, an increasingly greater volume of construction work is entrusted to organizations that are prepared to finance part or even all of the work involved in carrying out a given project. Yugoslav organizations have also encountered this practice, while participating in bidding throughout the world. In attempting to obtain the work, foreign firms may utilize the funds of commercial banks in addition to their own capital; and the state also appears as their guarantor. The struggle for new work has become so acute that it is difficult to count on obtaining it without objective economic advantages. All of the political and other factors play a secondary role; they are taken into account primarily in the event that the first one, the economic condition, is satisfied.

Better Solutions Must Be Offered

Due to the large volume and the increasingly greater significance of this activity, firms offering to carry out construction work are appearing in the world market from virtually all parts of the world. The competition is exceptionally pronounced, and one may expect that under the given market conditions it will continue to gain in intensity. Multinational companies in particular stand out as organizations with an exceptional ability to compete, because they can combine their own capabilities and very flexible organizational adaptation with highly skilled managing personnel and the utilization of a labor force from different parts of the world under more favorable conditions than their national economy is able to offer them. This also includes more extensive utilization of the domestic labor force in the developing countries; this in part also meets the economic interests of these countries, and consolidates the companies' own positions in them and with them.

In order to deal with foreign competition successfully, our organizations have to be able to offer better solutions than the existing ones, especially in the economic area. For this purpose it is first of all necessary to provide more favorable credit conditions, which the builders themselves are unable to do. So far continued credit support from the banks and even the entire community has been lacking, and the resources of associated labor have not been sufficient for us to deal with foreign competitors on an equal basis. Part of the responsibility also lies with the builders themselves, hwoever, because they have not been adequately organized to spend the available funds efficiently. Instead of building relations in accordance with income principles, they have most often developed contractual and even competitive relations, which has dispersed the funds and resulted in the loss of work in which we in fact could have become the contractors.

It is characteristic that in recent years there has been an almost constant decline in the structural share of short-term and especially long-term credits for working capital approved by banks for the construction industry for carrying out investment work abroad (see the table). Of the total amount of short-term dinar credits for exporting goods and services, the construction industry most often receives between 0.2 and 0.5 percent, and of the short-term foreign currency credits, with the exception of 1979 in which 21.3 percent was allocated, it received from 4.4 to 1.2 percent in the rest of the years. Short-term credits are intended primarily for the completion of individual projects or even for carrying out small-scale work, and the decline in them (especially in the amount of foreign currency) shows that during the period from 1977 to the present not enough attention has been given to the timely completion of concluded programs and especially to obtaining the smaller work. For the most part, the builders themselves have resolved the financing problems that have arisen, frequently by raising prices on the domestic market, and as a result creating a strong source of inflation.

Programs Increasing--Credits Declining

From the aspect of carrying out investment work abroad, long-term credits for working capital, especially foreign currency ones, are of particular significance for construction OURs [organizations of associated labor], since these projects are planned to be carried out over a period of two or three to five years. The part of the long-term dinar credits for exporting goods and services intended for the construction industry has been between 17.8 percent of the total in 1977 and 9.5 percent in 1981 (up through November). These credits are intended for carrying out work that is mostly handled through clearing accounts. Although such programs are increasing, credits are showing a continual tendency to decline and are not enough to meet the needs of our contractors working abroad. An even more serious situation exists in financing work with the aid of foreign currency funds, but without them the struggle for large-scale work is reduced to a very small number of projects. Credit has become significant not only in financing work in the developing countries that do not have any other means of ensuring payment, but is also increasingly playing more of a role in the oil exporting countries. If a certain company or foreign organization is willing to offer at least part of the funds for financing the work, it will have a greater advantage over one that is not able to do this. Even where the political factor outweighs the economic one, a lack of credit may result in having the investment work paid for by compensatory business, and not be payment in foreign currency. The upswing in contracting for work and carrying it out during 1981 may be short-lived if there is a continuation of the tendencies toward a decline in the amount of long-term foreign currency credits for the needs of the construction industry. The fact that their structural share dropped from 16.1 percent in 1977 to 3.7 percent in 1981 gives a serious warning of this, especially since they increased slowly in real absolute amounts (although one should not lose sight of the fact that the value of the work performed during this period almost doubled).

In spite of markedly inadequate support, exports of this activity are fairly high which is a result of the fact that part of the work in our case is based more on a political factor than an economic one. One should, however, by no means neglect the fact that for an equal struggle in the world market it is necessary to achieve and offer corresponding economic advantages. Without this a policy for a long-term approach abroad cannot be conducted, and at the same time a long-term positive effect cannot be expected.

In order to achieve a suitable export capability for the construction industry, it is necessary to ensure that this activity obtains the necessary long-term (foreign currency) credits more easily; provide additional incentives for exporting equipment and materials to our construction sites abroad; and also extend the guarantees undertaken by social communities for carrying out this work. All of this will not be enough, of course, unless the builders themselves unite with each other on an income basis and thus create a broad financial base for their approach in working abroad. Under these conditions it may be expected that the value of the work carried out in 1982 will soon reach the amount planned for the end of this medium term period, close to $2.5 billion.

Credits Approved For the Construction Industry for Investment Work Abroad

— in millions of dollars

	Short Term Credits for Working Capital for Exporting Goods and Services			Foreign Currency Credits		
Year	Total	Construction	Percent	Total	Constr.	Percent
1977	29,453	69	0.2	1,288	57	4.4
1978	39,568	64	0.2	722	65	9.0
1979	55,047	267	0.2	456	97	21.3
1980	85,583	173	0.2	813	10	1.2
1981	156,234	1,257	0.8	847	26	3.1

	Long-term Credits for Working Capital for Exporting Goods and Services			Foreign Currency Credits		
Year	Total	Construction	Percent	Total	Const.	Percent
1977	12,919	2,294	17.8	1,434	231	16.1
1978	16,685	2,768	16.6	915	198	21.6
1979	18,825	2,477	13.2	2,478	138	5.6
1980	20,941	2,726	13.0	6,585	293	4.4
1981	26,619	2,534	9.5	8,817	329	3.7

Source: SDK *Statistical Bulletin*, several issues

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VOJVODINA INVESTMENTS IN KOSOVO, OTHER REGIONS

Belgrade BORBA in Serbo-Croatian 15 Feb 82 p 1

[Article by B. Gulan: "Factories From a Joint Cash Box"]

[Text] In the current medium term period, Vojvodina will combine 19.8 billion dinars with collectives from other republics and Kosovo.

Thus, for example, the construction of two factories by the Pancevo firm Utva in Kosovo is being financed out of part of the money from the Federation Fund. Thus, Utva will build a factory for metal structures in Pec, which will operate as part of the local basic organization "Boris Kidric." Its completion will provide 607 new jobs. The estimated value of this factory is 500 million dinars, and Utva has provided half of the funds. The other factory that will be built by the Pancevo collective will produce special commercial vehicles and will be located in Prizren. Its estimated value is 480 million dinars, and 206 workers will be employed in it.

The Novi Sad firm Agrovojvodina has signed a self-managing agreement on combining funds with the firm Metaliku from Bakc [illegible]a. The Novi Sad firm will invest 68 million dinars for a new installation for this collective. In order to provide enough paper the Novi Sad people are also combining 65 million dinars with Celpak from Prijedor and 20 million with Hartija in Kocani.

Pobeda from Petrovaradin, together with the Feni firm from Kavadarac, is to build an installation for casting stainless steel. Pobeda is to provide [illegible] million dinars for this installation.

This alliance on an income basis with joint investment, but also sharing the risk and dividing the profit, will in the next few years make a contribution to an increase in production, more rapid development of the insufficiently developed areas, and a more regular supply of semimanufactured products to the economy.

[illegible]
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YUGOSLAVIA

EFFECTS OF NEW PATENT LAW DISCUSSED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Feb 82 p 4

[Article by V. Subotic: "Application of the Law on Protection of Inventions, Technical Advancements, and Trademarks: It Cannot Be Done the Old Way"]

[Text] The law on the protection of inventions, technical advances, and trademarks has been in effect since 28 December last year. Although the time that has passed is too short to allow a broader assessment of the results of its application, in view of its significance, as well as the consequences that may follow from inconsistent application of it, we asked Dragomir Cemalovic, a high-level counselor in the Federal Institute for Patents in Belgrade, to tell us something more detailed about this.

Cemalovic told us that the commercial public is not sufficiently aware of the effect of this law on the process of the transfer and use of foreign technology; this is demonstrated by the contracts that have been sent to the Federal Institute for Patents in Belgrade in order for it to give its opinions on the state of equipment and technology in the world. None of the contracts received to date abides by even the mandatory norms of this law; this may lead to harmful consequences for our organizations of associated labor [OUR]. This especially applies to the Yugoslav tobacco industry, which is not observing the new obligations in regard to trademarks (brand names).

Domestic and Foreign Brand Names--Together

In fact, the law explicitly stipulates that when acquiring licenses, our organizations have to make a provision in the contract that they will use their previously registered brand name in a manner equally as visible as the foreign brand. Otherwise the contract has no legal validity. Some domestic organizations are living under the illusion that they have concluded a contract, which is, in fact, void from the beginning. For almost 2 months the institute has had occasion to analyze some contracts by which tobacco industry firms acquired licenses for a brand without observing this explicit provision of the law.

The above-mentioned obligation was conceived primarily to protect the interests of firms, who would be able to use their own brand name upon the expiration of the license contract; this would prevent the product from becoming anonymous to the consumers. It is in the long-term interest of our firms to observe these legal obligations, and all the more so because it ensures security for them.

Developing Imported Technology

Also significant is an innovation that the law introduces into the acquisition of patented technology. The law stipulates that contracts for licensing patents that are concluded with OURs or other sociolegal entities cannot provide for the right to concede the license acquired to anyone else in the territory of the SFRY. The purpose is, in fact, to make it possible to combine funds for an acquired technology without having the same technology bought side by side by several OURs [basic organizations of associated labor], as has been the case until now. In fact, the law requires that the organizations concerned combine their work and funds for a technology already acquired. Unfortunately, although this is in the interest of our organizations, no such moves have yet been made. Of course, in the metallurgical and chemical industries deals on acquiring certain technology in accordance with the law are now being brought to a close, which is encouraging.

Such an approach also makes it possible to create the following prerequisites: the technology is acquired under more favorable conditions in regard to prices, the broadest distribution and use of the imported technological knowledge is made possible, and the creation of parallel capacities is prevented, which has a positive effect on increasing output and the productivity of labor. All of this makes it possible to create realistic conditions for the improvement, refinement and further development of certain technologies. Then our industry can also become an exporter of certain designs.

In addition to the obvious advantages that the present legal solutions have for our organizations, they also benefit the foreign partners, although some of them are still receiving this new system for acquiring patented technology with distrust. For the sake of illustration, Dragomir Cemalovic points out the legal guarantee according to which the foreign provider of the license has a right to increased compensation for the license, commensurate with increased volume of the use of the patented technology. In addition to this advantage, in which the foreign proprietor is most interested, in this manner he also protects himself from his competition in the Yugoslav market.

One thing is certain: it cannot be done the old way. The law will make it possible to import technology more selectively. The solutions discussed above will probably result in a reduction in the number of contracts concluded, but this does not also mean less technology. Furthermore, the basic prerequisites are being created for carrying out the strategy of the technological development of Yugoslavia on the basis of technological integration of our economy. The work on adopting a social agreement on a strategy for the technological development of Yugoslavia has already been completed, and when it is signed, the law will become a part of it, and with its aid there will naturally be increased efficiency in the use of technology.

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VOJVODINA EXPLORES NEW SOURCES OF ENERGY

Zagreb VJESNIK in Serbo-Croatian 1 Feb 82 p 5

[Article by Jovo Paripovic: "From Coal to the Sun and the Atom"]

[Text] The search that Vojvodina has been conducting for several years for new types and sources of energy, which would free this province from its dependence on imports and open up new possibilities in the utilization of energy, has apparently borne fruit.

This work of several years' standing was presented at a modest exhibit in hall 23 of the Executive Council of the Vojvodina Assembly, not open to the public, but it was presented to a group of people and also to journalists recently in a statement by Karolj Bagije, the chairman of the provincial committee for energy.

A Wealth of Coal

Rich coal deposits will in fact be activated soon in Vojvodina, in southern Banat, near Kovin, and near some places in the Delibat region.

The explorations have shown that there are coal reserves of about 500 million tons near Kovin; 250 million tons if this are suitable for exploitation, which would replace 50 million tons of oil. Work on exploitation is to begin soon. Coal reserves have also been found in areas near Cerevic, Susek, and Nestin, and on the other side of the Danube near Veternik and Futog.

To tell the truth, this is lignite, a coal with a low caloric value, but in addition to searching for this coal we are also searching for ways to enrich this coal and increase its value from 1600 to 4000 kilogram-calories. This research is showing results, and so exploitation and the enrichment of 20 million tons of coal will also begin in regard to this. The underground combustion of coal where exploitation in the classical manner is impossible will provide new types of energy, and likewise new by-products.

In addition to these deposits, a search is being conducted on the Fruska mountain for coal of quality similar to the Vrdnicka coal that was mined at one time on Fruska mountain, and the indications are that there is still some of that high-quality brown coal there. All of the indications are that by the end of this planning period Vojvodina should be producing ten million tons of various types of coal annually; most of this, six million tons a year, will be mined in the Kovin area. A thermoelectric power station will be built in that area. Vojvodina's search for raw materials for the operation of a nuclear power station is showing positive results, so in the foreseeable future work will begin in this province on the construction of a nuclear power station.

Biomass--A Great Reservoir

Vojvodina's fields are concealing a great reservoir of energy in biomass. This province has about 15 million tons of biomass a year, and if only 30 percent of this biomass were converted into energy, an energy value equal to 1.5 million tons of oil would be obtained. The research has shown considerable results, and moreover, in some Vojvodina OURs [organizations of associated labor] complete technological installations are already being produced (Bratstvo from Subotica) for converting biomass into energy. Estimates indicate that in 1985 biofuel should provide a substitute for about 150,000 tons of oil.

Careful research is also being undertaken in solar energy, and during the current period 150,000 square meters of solar collectors will be installed in this province; these will produce thermal energy, for which 100,000 tons of fuel oil would have to be consumed. For using these new energy sources, Vojvodina will begin to create so-called combined energy sources in the cities. Such sources, if used for example in Vrbas or Subotica, would replace 100,000 tons of coal. The new sources of thermal energy will also include hot mineral water springs; from 10 to 15 wells will be opened up each year, replacing the energy value of as much as 100,000 tons of fuel oil.

Waste First of All

What has been shown by research on mineral raw materials in past years has led one of the Vojvodina complexes to look in this area for mineral raw materials and this wealth, because there is considerable wealth on Vojvodina's fields, and the question is whether there are minerals. Quartz sand, mica, and even titanium, a very important strategic material, have been discovered in considerable quantitites in the ground in Vojvodina, and exploitation of this will also begin soon.

Experts are speaking with unconcealed optimism, even with predictions that the results will be more revolutionary than in the field of electronics, about making better use of raw materials from the agroindustrial complex. It is sufficient to say that they are already working on carrying out several programs in Vojvodina to produce medicines from the wastes of slaughterhouses or from the fields, or even that we have become aware that it is not necessary to sow protein feed after a harvest, but that it is sufficient to gather this protein feed in the form of wastes on Vojvodina's fields and enrich them, and then given them to the livestock in troughs.

In any case, everything shown by the research on new types of energy in Vojvodina is impressive. The new sources have been designated, and their usefulness is known; now comes the most difficult and the most extensive part of the work--investing in the programs that will open up these new sources.

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CROATIA ACTIVATES COAL MINES

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Feb 82 p 11

[Article by V. Subic: "In Four or Five Years, Six New Coal Mines"]

> [Text] The reactivation of neglected coal mines in Croatia would alleviate the increasingly more pronounced energy crisis, and therefore discussions are being conducted in the republic on how to find the necessary funds.

Even if Croatia manages to obtain the planned 1.1 million tons of coal this year, the energy balance will be short by about another 400,000 tons needed to meet the requirements of industrial and individual consumers in the republic. Next year the requirements will be even greater, and coal is hard to come by. It is high time to begin restoring the coal mines in Croatia. This issue was not sufficiently dealt with by the expert working group of the Business Community for Coal of the Croatian SR. According to the data presented at a meeting of this working group, which was charged with the preparations fro opening new mines in the republic, the activation of six new mines could ensure the production of about 1.78 million tons of coal per year.

Rich Geologic Reserves

Of the 17 coal mines once operating in Croatia, the only one now operating is the coal mine in Rasa, which is mainly meeting the needs of the Plomin thermoelectric power station. The rest of the mines are closed, and the miners have been retrained for other occupations. In Istria and the Croatian mountains several new economic enterprises have been set up for them. Now a return to coal has become urgent again, and not without reason--the research performed to date shows that the balance reserves of anthracite coal that is in high demand amount to about 14 million tons, along with about 5.9 million tons of brown coal and about 121 million tons of lignite. All of these reserves of anthracite and brown coal that are suitable for exploitation are located in the area of the Istria basin, Dalmatia, and Medjumurje; the lignite is located in the area of the Ladanj and Konjscin basin, and also in the area of Kalnik, Bilogora, Podravina, Dalmatia, the Vukomeric hills, the neighborhood of Vrginmost and Nova Gradiska and several other places.

As Franjo Terzic, a counselor in the Republican Committee for Energy, Industry, Mining, and Handicrafts, emphasized, these geologic reserves indicate that with further research even greater amounts of coal could be expected. The main problem appearing at this time in connection with continued research and the equipping of the first mines is obtaining the necessary funds.

About 600 Million Dinars Are Needed for Every Mine

In 4 to 5 years, six coal mines could be opened in Croatia, which would provide an annual production of 1.7 million. These are the mines in Vrbovski, Batina, Ivanjec, Klostar, Brinje, and Poljanica. At present prices, opening one mine would cost about 600 million dinars, as is emphasized by Vicko Rebersak, the director of the Croatian Business Community for Coal. Five years would be necessary to reach full production. Only after this period of getting underway could each mine produce about 300,000 tons of coal per year. This, as was stated at the meeting of the expert working group, would be too long a period, but it is necessary. The activation of these six mines could meet the annual requirements of industry, transportation and households in Croatia. Furthermore, a certain "surplus" would even occur.

During the last 5-year period, about 60 million dinars were spent in the search for this "black gold," and by last year a total of about 110 million dinars. This is yet another reason to strive to exploit these deposits as rapidly as possible. It was decided that the job of drawing up the documentation and supervising the exploratory work should be entrusted to expert institutes. The necessary funds have to be provided for financing this work.

Along with activating the coal mines in croatia, it is necessary to invest more funds in opening up and expanding the production of coal in other republics as well, according to the Business Community for Coal. It has taken upon itself the task of coordinating all actions taken in regard to this. The community's decision is that it is necessary to accelerate the process of reaching agreements on investments in the development of mining production in Croatia and that in order to do this, all of the actions to date that are associated with preparations for opening new mines will be reported to the Executive Council of the assembly at one of its next meetings, so that it can adopt a concrete position on the issue of activating new coal mines in Croatia.

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BRIEFS

AGREEMENT WITH BRAZIL--Rio de Janeiro--The well-known Brazilian firm Delp, which produces industrial equipment, has signed a contract for technical cooperation with three Yugoslav firms: Rudis from Trbovlje, Metalka from Ljubljana, and Metalna from Maribor. Delp has a factory in Minas Gerais with more than a thousand workers, in which it produces equipment for cement works, iron works, and the aluminum industry; it also has an installation for producing ferrous alloys. This deal, which was concluded through the Ljubljana Bank, provides for cooperation with Rudis in the development of several types of equipment for coal mines; with Metalka, which represents the Turbo Institute in Ljubljana, in the development of turbines for hydroelectric power stations; and with Metalna, in the development of special cranes and hydromechanical equipment for electric power stations. The new deal of the three Yugoslav firms with Brazil undeniably demonstrates that the concept of exports through technological cooperation is correct, in view of the fact that our strength in capital investment is not great. [Text] [Belgrade BORBA in Serbo-Croatian 19 Feb 82 p 11] 9909

EXPORTS TO ALBANIA--According to a report issued by the Information Service of Elektromontaza in Ohrid, representatives of that work organization signed an agreement on 17 March with the Makina-import organization in Tirana. The agreement calls for a specific quantity of electric power equipment to be delivered to Albania by the end of the year. The value of the equipment is 700,000 dollars. [Text] [Skopje NOVA MAKEDONIJA in Macedonian 18 Mar 82 p 3]

OIL FROM USSR, IRAQ--The Skopje Refinery will begin the processing of crude oil by the end of May or beginning of June this year. Of course, this will begin gradually, since 1982 will be a year of trial operation for this important production project. It is extremely significant that the supply of 490,000 tons of crude oil from the USSR and Iraq has been ensured. In its production assortment, the refinery will produce about 40 percent of the mazut required by Macedonian consumers. It is anticipated that by the middle of the year the refinery will employ about 1,000 people, most of whom have been trained in other refineries in Yugoslavia. [Excerpt] [Skopje NOVA MAKEDONIJA in Macedonian 18 Mar 82 p 3]

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